

Current History

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SEPTEMBER, 1976

THE PEOPLE'S REPUBLIC OF CHINA, 1976

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Current History

SEPTEMBER, 1976

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How strong is the People's Republic of China? How are China's leaders handling the struggle for succession that has already begun in Peking? In what direction is China's foreign policy moving? In this issue, seven specialists analyze questions like these. As our introductory author points out: "China's rulers are apparently discovering that United States and Japanese statesmen do not react in the pattern Mao Tse-tung imaginatively fashioned for them; the Soviet Union also has plans of its own that may derail Peking's present strategy."

China and the West Pacific Powers

BY O. EDMUND CLUBB

United States Foreign Service Officer, Retired

THE YEAR 1975 brought fundamental changes to the strategic situation on the western rim of the Pacific, and the rulers of the People's Republic of China (P.R.C.) have shown themselves aware that there has been a major shift in the balance of power. On May 20, 1975, in the light of the Communist victories in South Vietnam, Laos and Cambodia, the Peking *People's Daily* editorially reminded its readers that the day marked the fifth anniversary of Chairman Mao Tse-tung's "May 20" statement in support of the revolutionary struggle against imperialism as waged in Indochina and throughout the world.

Terming Mao's thesis "a scientific summary of the practice of present-day anti-imperialist struggle waged by the world people," the editorial held that

the Asian, African and Latin American people's struggle for national liberation and the revolutionary struggle of the people all over the world . . . are linked together and have emerged into a strong powerful historical current, whereas the superpowers, the United States and the Soviet Union, perpetrating aggression and expansion everywhere, have met with opposition by the people of various countries including the people of their own countries. In this way, they are encircled by the people of the whole world and become more and more isolated, ending up eventually in disastrous failure.

Mao's statement of five years earlier had omitted any reference to the Soviet Union. Directed specifically against "U.S. imperialism," which it termed "a paper tiger, now in the throes of its death-bed struggle," the statement had concluded with the ex-

hortation: "People of the world, unite and defeat the U.S. aggressors and all their running dogs!" The 1975 editorial ended with the blander vow that

the Chinese people will firmly follow Chairman Mao's teachings, forever side and fight jointly with the third world people and the people of various countries the world over, and carry the struggle against imperialism, colonialism, and hegemonism through to the end.

After 1970, of course, United States President Richard M. Nixon had introduced détente into Sino-American relations. Japan had established diplomatic relations with the P.R.C.; and the Chinese, for their part, had undertaken full implementation of the operative principle laid down by Mao Tse-tung in his December, 1940, essay "On Policy:" "to make use of contradictions, win over the many, oppose the few and crush our enemies one by one." That was the Communist united front concept, used in the past, by virtue of which secondary enemies are mobilized to destroy the "principal enemy of the moment." In the post-Great Proletarian Cultural Revolution (G.P.C.R.) era, China has been found seeking to accommodate herself more effectively to other forces, in order to enlist them to serve her ends.

In service of that strategy, the P.R.C. announced that China belonged to the third world, confronting a first world made up of the United States and the Soviet Union. Because the Soviet Union was judged to be the "principal enemy," Peking sought—and won—détente with the United States and with Japan, and undertook to manipulate both against the desig-

nated "prime" enemy. And according to the full logic of the Maoist strategic scenario, after the hypothetical elimination of the Soviet Union from the competition (putting the matter euphemistically), Peking could be expected to try to regroup its forces and confront temporary capitalist "allies" in order to advance the Maoist world cause into its next stage.

The Maoist strategy is now up for test. In view of the fact that the U.S.S.R. at a certain point (reached in 1957) refused to serve Chinese political ambitions, which threatened disastrous disruption of the Soviet world strategy, will the United States, or Japan, or both, perhaps harness themselves to China's chariot?

China's rulers are apparently discovering that United States and Japanese statesmen do not react in the pattern Mao Tse-tung imaginatively fashioned for them; the Soviet Union also has plans of its own that may derail Peking's present strategy.

If the essence of the post-Vietnam situation in the West Pacific is change, the change does not appear to have affected the Sino-Soviet relationship—at least not yet. The usual annual agreement to govern trade exchanges between the two countries was signed in July, 1975, but there were no indications of any substantial increase in economic exchanges. And violent polemics, nominally ideological in nature, continued. Recent incidents may bear new significance. In late December, 1975, Peking released three crewmen of a Soviet helicopter that had strayed into Chinese territory nearly two years earlier—and tendered apologies for its error. And in his address to the twenty-fifth congress of the Communist Party of the Soviet Union (C.P.S.U.) on February 24, 1976, Communist Party General Secretary Leonid I. Brezhnev spoke (as he had on previous occasions) in conciliatory tones:

We are prepared to normalize relations with China in line with the principles of peaceful coexistence. What is more, we can say with assurance that if Peking reverts to a policy truly based on Marxism-Leninism, if it abandons its hostile policy toward the socialist countries and takes the road of cooperation and solidarity with the socialist world, there will be an appropriate response from our side and opportunities will open for developing good relations between the U.S.S.R. and the People's Republic of China.¹

Then, on April 24, 1976, *Pravda* published an article by the pseudonymous "I. Aleksandrov" proposing that Peking should reexamine Moscow's proffered "package of constructive proposals" with a view to the possibility that this could revive the dormant border talks and break the existing deadlock in the negotiations. And the article indicated that the area of the territory in dispute was 33,000

square kilometers (instead of the figure of 1.5 million square kilometers used earlier in Soviet propaganda).

Did this more down-to-earth approach indicate a Soviet willingness to compromise? In the absence of a Chinese counter move, no one could be sure. While the implacably anti-Soviet Mao Tse-tung lives, a conciliatory Chinese move on the border question is hardly to be expected. But the Soviet tactic vis-à-vis the P.R.C. remains one of watchful waiting—waiting for the death of Chairman Mao and a consequent weakening of the Maoist anti-Sovietism which would permit a modest reconciliation between the two countries on something approaching Soviet terms.

A major weakness in Peking's present policy is the circumstance that today none of the chief actors on the world stage subscribes to the Maoist brand of violent revolution—not even the leaders of the third world. Thus, in a two-day meeting in East Berlin at the end of June, 1976, 29 East and West European Communist parties joined in a declaration of common principles attributing to each party "equality and sovereign independence" and the right to determine its own policies—with the C.P.S.U. in at least nominal agreement. Further,

They state with all clarity that the policy of peaceful coexistence, active cooperation between states irrespective of their social systems and international détente correspond to the interests of each people as well as to the cause of progress for the whole of mankind. . . .³

In sum, the European Communist parties have taken a stand in favor of détente and peace between nations; they have also adhered to the doctrine that there are different roads to socialism, and that each party is autonomous and entitled to formulate its policies in accord with local conditions. This is effectively national communism. In the future, there is to be no universal Communist orthodoxy, Stalinist Khrushchevian, or Maoist. This doctrine not only sanctions Communist China's lonely stand; it confirms that China does stand alone, ideologically.

RELATIONS WITH JAPAN

In striking contrast to its relations with the socialist bloc in general and the U.S.S.R. in particular, the People's Republic of China has maintained amicable—and profitable—political and economic relations with Japan since Tokyo's grant of diplomatic recognition to Peking in 1972. The two countries have exchanged ambassadors; parties of visitors come and go; and, most important, the two countries have built up mutually profitable economic exchanges, with the two-way trade in 1975 totaling \$3.79 billion. In 1975, Japan was China's most important trading partner, and future prospects appeared bright.

But the steady increase in trade exchanges between

¹ *The New York Times*, February 25, 1976.

² *The New York Times*, April 29, 1976.

³ *The New York Times*, July 1, 1976.

the two countries has been interrupted. In February, 1976, Peking informed the Japanese that it was going to *reduce* its exports of petroleum to Japan by 50 percent during the year; in April, after two months of negotiations, the P.R.C. agreed to purchase from Japan, in the half-year ending in June, a tonnage of steel some 75 percent below the 2.27 million tons it had bought in the latter half of 1975.⁴ In 1976, China was manifestly experiencing economic difficulties.

And there are limits to the political potential in the Sino-Japanese relationship. To further its strategy of making Japan a protagonist of Chinese causes against the Soviet Union, Peking has supported (at no cost to itself) Japan's claim to the southern Kuriles, has endeavored to enlist Japan in its crusade against "hegemonism," and has vigorously opposed Japan's participation in various Soviet economic enterprises. However, Peking does not acknowledge the legitimacy of Japan's occupancy of the Senkaku Islands north of Taiwan, islands it claims for its own. And there exists a potential for larger disputes between the P.R.C., Japan, Taiwan, and Korea (North and South) respecting possible offshore oil deposits in the waters among them. In addition, Japanese and Chinese national interests could easily collide in Southeast Asia and farther afield.

It is significant that the negotiation of a Sino-Japanese peace treaty, long in process, appears to have stalled for the time being. In early 1975, faced with a warning from the Soviet Union against signing the proposed pact,⁵ the Tokyo government declared that it would not be deterred by Soviet opposition from concluding the agreement. Roughly a year passed, and in January, 1976, on the occasion of a visit to Tokyo by Soviet Foreign Minister Andrei Gromyko, Japanese Premier Takeo Miki asserted that "the policy of equidistance [as practiced by his predecessor Kakuei Tanaka] is a myth," he indicated unequivocally that, regardless of Soviet warnings against such action, Japan was ready to sign a treaty of peace with the P.R.C. that would include a provision proclaiming the opposition of the signatories to the attempt of any third nation to exercise "hegemony" in Asia.⁶ The provision is directed, at the moment, against the Soviet Union—but it could as

easily be directed some other time against the United States. There is divided opinion in Japan on the issue, with conservatives in particular finding the Maoist proposition hard to stomach. The Japanese nation has no desire to be committed to a campaign against Peking's "enemies."

The Japanese have been diplomatically circumspect in their dealings with the U.S.S.R.—but they do deal. Japan's 1975 exports to the U.S.S.R. totaled \$1,626,200,000—an increase of 48.4 percent over 1974. And at a time when Peking was reducing its petroleum offerings to Japan and its steel purchases from Japan, Tokyo and Moscow were negotiating a deal envisaging the export of "a huge set of nuclear electric power generating facilities" to the U.S.S.R. at a price of approximately \$3,130,000,000.⁷ In the first two and a half months of 1976, the U.S.S.R. bought some 260,000 tons of large-caliber oil-line and gas-line steel pipe, and in mid-February the Japanese Export-Import Bank loaned the U.S.S.R. \$396 million to finance further purchases of such pipe and of ammonia plants.

When the twenty-fifth C.P.S.U. Congress met in Moscow in February, 1976, the colony of some 100 Japanese businessmen regularly resident in Moscow had burgeoned to a total of about 500, in anticipation of trade opportunities expected to develop from the adoption of the tenth five year plan beginning in 1976.⁸ As a Japanese estimate put it, the simultaneous launching in 1976 of new five year plans in the Communist bloc countries would mean "a new great wave of demands for producer goods, especially plant . . . of the Free World, including Japan."⁹ The critical circumstance is that, the Kuriles apart, no major political issues divide Japan and the Soviet Union at this historical stage; mutual profit—Japanese access to Soviet industrial raw materials and markets and Soviet access to Japanese industrial products and technology—tends to bring them together. Thus Japan sees no profit in following the Chinese anti-Soviet line.

THE UNITED STATES

The key figure in the West Pacific power drama is the United States. The American urge to gain new political leverage against the Soviet Union helped to undermine the "containment" strategy pursued by the United States against China from 1949 to 1969. Washington, too, has visions of a "principal enemy of the moment" and "secondary enemies." Peking gave the United States the chance to serve as China's instrument in her avowedly "Marxist-Leninist" struggle against the "social imperialist" Soviet Union. With a measure of détente achieved in Sino-American relations, in 1975 China's leaders frequently warned the United States of the "dangers" of détente with the Soviet Union. When United States Secretary of

⁴ For fuller analysis of these developments, see *The Economist*, March 7, 1976, p. 78; A. E. Cullison, *Journal of Commerce*, April 7, 1976; and "Politically-Shaken China Sharply Cuts Japan Steel Purchases to Alter Scene," *Japan Economic Review*, May 15, 1976, p. 4.

⁵ *Le Monde*, February 5, 1975.

⁶ Richard Halloran, *The New York Times*, January 14, 1976.

⁷ *Japan Economic Review*, February 15, 1976.

⁸ *Le Monde*, February 27, 1976, citing *Asahi* as source.

⁹ Tadashi Miyamoto, "New 5-Year Soviet Bloc Plans, Especially Plant Demands, Giving Bright Hopes Here," *Japan Economic Review*, April 15, 1976, pp. 10ff.

State Henry A. Kissinger visited Peking in October, 1975, Foreign Minister Ch'iao Kuan-hua tendered him the usual exposition on the Soviet danger and the growing threat of a new world war and urged that the United States should wage a "tit-for-tat struggle" against hegemonism—meaning Soviet hegemonism. Secretary of State Kissinger was patently less than fully convinced of the merit of the Maoist viewpoint. In replying, he said that "The United States will resist hegemony. . . . But the United States will also make every effort to avoid needless confrontation when it can do so without threatening the security of third countries."¹⁰ And when Kissinger and President Gerald Ford visited Peking at the end of November, the high-level Sino-American encounter did not even produce the usual joint communiqué.

The reason for that omission was clear enough: China and the United States do not see eye-to-eye on the definition of their mutual national interests; thus, the state visit led to no agreement of substance. The United States has major preoccupations elsewhere in the world, and a different set of priorities, as indicated by Secretary of State Kissinger in his address of November 24 to the Economic Club of Detroit: "We will place our priority on our alliances with the great industrial democracies of the Atlantic Community and Japan."¹¹

Then, at Honolulu on December 7, the anniversary of Pearl Harbor Day, President Ford spelled out what he called the "Pacific Doctrine." He pointed to the circumstance that the United States, the Soviet Union, China and Japan were all Pacific powers with intersecting security concerns in Asia and opted for "peace with all—and hostility toward none." He listed six basic elements in his doctrine, of which two were of major import; namely, that a stable balance of power in the Pacific depends upon American strength; and that "the partnership with Japan is a pillar of our strategy." The other four points were pro forma: strengthening of the new ties with China; American concern with "the stability and security of Southeast Asia"; the need to resolve outstanding political conflicts; and, finally, a ritualistic observation that "peace in Asia requires a structure of economic cooperation reflecting the aspirations of all the peoples in the region."

In essence, the Pacific Doctrine reflects an American determination to maintain a presence in the Western Pacific. It contemplates the disposition of United States air and naval forces on West Pacific island bases, notably in the Philippines and Japan, and on the Asian mainland itself in South Korea, for the maintenance of a stability of American design

(even if it is in alliance with counterrevolutionary forces). The basic military stance of the "containment" era, with strict adherence to American commitments, is to be maintained; but there is to be "hostility toward none." However, the existing Maoist strategy anticipates and depends on the existence of a real American and Japanese hostility toward the Soviet Union, and on instability, in order to strengthen world revolutionary forces. In the ultimate analysis, the Maoist Doctrine and the Pacific Doctrine are in fundamental conflict.

The revised version of the American Pacific strategy comes at a time when the United States has run into difficulty with respect to the further development of amicable relations with China and when progress in that area has slowed. The roadblock to final "normalization" of Sino-American relations is, of course, the mutual-defense pact of 1954 that ties the United States to the "Republic of China" on Taiwan: the United States cannot enjoy full, normal relations with two "Chinas" at the same time. Speaking on December 5, the day after the end of President Ford's Peking trip, Kissinger noted the Chinese suggestion that the Taiwan problem should be settled by reference to the "Japanese model," that is, by transfer of diplomatic recognition of "China" from Taipei to the Peking regime, while maintaining existing economic relations with Taiwan.

This would be in nominal accord with observations made by Chinese Deputy Premier Teng Hsiao-p'ing six months earlier in a talk with a group of visitors from the American Society of Newspaper Editors. It would be necessary, he said, for the United States to abrogate its mutual-security treaty with Taiwan, withdraw all American troops from the island and end diplomatic relations with the Nationalist regime. There was little spirit of generosity in the official Chinese position. "[Teng] said there couldn't be any consideration of any other method of normalizing relations. China couldn't accept a two-China United States policy, a 1½ China policy, a China and Taiwan policy, or any variation of these policies, he asserted."¹²

But three practical considerations preclude Amer-

(Continued on page 81)

O. Edmund Clubb, a contributing editor of *Current History*, spent 18 years in China with the United States Foreign Service. He has been Consul General in Vladivostok, the U.S.S.R.; Mukden and Changchun, Manchuria; and in Peking, China. From 1950 to 1952, he was director of Chinese affairs in the Department of State. Mr. Clubb is the author of *China and Russia: The "Great Game"* (New York: Columbia University Press, 1971), and *Twentieth Century China* (New York: Columbia University Press, revised edition, 1972).

¹⁰ Leslie H. Gelb, *The New York Times*, October 20, 1975.

¹¹ "Building an Enduring Foreign Policy," *Department of State Newsletter*, December, 1975.

¹² *Wall Street Journal*, June 3, 1975.

"China will experience difficulties without the managerial talents of Chou En-lai, and the stage has certainly been set for a period of disorderly conflict, but Chou's views were so in tune with China's urgent needs that ultimately they will not be denied."

China After Chou En-lai

BY LUCIAN W. PYE

Ford Professor of Political Science, Massachusetts Institute of Technology

AT AN INTERNATIONAL meeting on "China after Mao Tse-tung" a few years ago, an unconventional academic startled his colleagues by asking: "What would happen if Chou En-lai were to die before Mao did?" He was instantly rooted down for thinking the unthinkable because at the time it was generally believed that only Chou could give the moderate and reasonable leadership that China would need after the passing of Chairman Mao Tse-tung's charismatic leadership. Gradually, China specialists had to revise their expectations, especially after Senator Henry Jackson (D., Wash.) reported in July, 1974, that Prime Minister Chou En-lai was indeed in a hospital with a serious physical and not "diplomatic" illness. It became increasingly apparent that, as Chou's health failed, his political influence was also declining. For a time it appeared that Chou's chosen successor, Teng Hsiao-p'ing, would be able to insure the continuity of Chou's policies into the post-Mao era. Yet after Chou's funeral Mao suddenly abandoned his closest colleague's arrangements.

The political scene in China is more confused and troubled today than at any time since the turmoil of the Red Guards during the Cultural Revolution. Now it seems most likely that the post-Mao era will open with intense struggles within a divided leadership.

To appreciate what has happened in China it is necessary to go back to 1969 and see how Chou En-lai ought to bring China out of the disorders of the Cultural Revolution, revive a faltering economy, and meet the military threat of the Soviet Union. Through the organization of "revolutionary committees" at every level of management and government, Chou En-lai brought back skilled party cadres who could solve the increasingly pressing economic and technological problems of a still poor country. Internationally, Chou met the challenge of the Soviet Union, which involved a series of bloody border

incidents, by seeking to reduce tensions with all other countries. This policy led directly to the invitation to United States President Richard M. Nixon to visit China and brought to an end more than two decades of frozen relations between the United States and China.

Chou's policies of welcoming foreign visitors and seeking international respectability, including membership in the United Nations, neutralized domestic opposition; when guests are present, or outsiders are looking in, family quarrels must be muted.

Persistent opposition continued, however, especially among those who had benefited by the upheavals of the Cultural Revolution but who were subsequently losing power and seeing their cherished revolutionary practices replaced by more pragmatic policies. Their strength lay in the area of culture and the mass media and their leaders were Mao's wife, Chiang Ch'ing, and the radical leaders from Shanghai: Wang Hung-wen, Chiang Ch'un-chiao, and Yao Wen-yuan.

While Chou was trying to stabilize China's domestic and foreign policies and to rehabilitate talent that had been lost in the frenzy of the Cultural Revolution—most dramatically by the restoration of Teng Hsiao-p'ing—the opposition persistently mounted esoteric criticisms of his moves. For more than 18 months, Chou brilliantly deflected or reformulated these criticisms in order to neutralize their impact. Thus, when the opposition sought to discredit Chou's policy of inviting foreigners to China by attacking the film produced by Italian film director Michelangelo Antonioni, Chou's supporters initiated a campaign against Beethoven, an attack on Chiang Ch'ing, who had asked the Philadelphia Orchestra to play Beethoven's Seventh Symphony during its tour of China. The opposition initiated a denunciation of Confucius as a "revisionist" who welcomed the advice of "foreigners" and stressed mandarin gentility—a barely veiled attack on Chou's search for technology and his personal style. Chou

responded by linking the attack on Confucius to criticism of the discredited Lin Piao; thus he put the government's authority behind the innocuous "Anti-Confucius, Anti-Lin Piao" campaign.

During 1973-1974, Chinese politics operated at two levels. Under the increasingly self-confident Deputy Prime Minister Teng Hsiao-p'ing, the government tried to modernize the country and to import technology; at a secondary level, the government was countering the attacks of the increasingly frustrated radicals who revered the Cultural Revolution of 1966-1969. Chou and Teng were apparently in command. Thus, for example, Chou left his sick bed in February, 1975, to preside over the National People's Congress and to call for the creation of a "powerful, modern socialist country" in the next 25 years. At the time, it did not seem particularly disturbing that Mao had not given his personal endorsement to Chou's vision of the "comprehensive modernization of agriculture, industry, national defense and science and technology" by the year 2000.

Then, combining his roles as administrative head of the government, the party and the army, Teng Hsiao-p'ing made some startling moves to consolidate his position. Possibly we shall never know whether he was urged on by Chou En-lai, who was by then aware of his terminal cancer, or whether he overestimated his own political acceptability. We do know that Teng tried to intervene in the military hierarchy more than any other civilian leader since the establishment of the People's Republic. Teng was apparently driven to action by a genuine concern that China could not meet the mounting Soviet military challenge without modernizing her defense establishment and greatly increasing her fire-power.

To modernize the army, upgrade the air force, and accelerate the development of China's strategic forces—while not allowing the defense budget to distort or to retard general economic development—Teng believed he had to cut back on military manpower and to eliminate overaged and purely political officers and men. (China has one of the youngest populations in the world, but its army is overaged compared with all other major powers.) Within the army, Teng's measures strengthened the central command, which included the most technologically advanced elements, and weakened the power of the regional military commanders.

No doubt Teng was also motivated to reduce the power of the regional military commanders because the People's Liberation Army, and their powerful generals, in particular, had emerged from the Cultural Revolution with greatly enhanced political power. To reestablish the supremacy of the party, Teng had to restrict the role of the army.

When Teng ordered the rotation of some of the most influential regional generals, his authority was

apparently secure. In the process, however, he created enemies and set the stage for an unnatural but powerful alliance between segments of the military and the radical opposition.

Chou En-lai died on January 8, 1976. On January 15, Teng Hsiao-p'ing gave the eulogy at the memorial services. At the time, it was widely believed that he would be Chou's successor as Prime Minister and, in time, Mao's successor. However, this was the last time Teng was seen in public. Under the control of the radicals, the Chinese press began to speak ominously about "an unrepenting capitalist roader inside the party." Apparently, there was a Politburo meeting on the last night in January at which Mao failed to back Teng as the new Prime Minister. In a compromise, Hua Kuo-feng, the fifth ranking member of the Politburo and the head of the secret police was made the "acting Prime Minister." (Hua had served in Mao's home province of Hunan; in the late 1950's, when Mao was having difficulty with Liu Shao-ch'i and Teng Hsiao-p'ing, Hua graciously built a special hall in honor of Mao in his family village of Shaoshan.)

At this juncture, the forces loyal to the memory of Chou sought to reassert what had been the dominant policies of the last few years. In their efforts to re-legitimize Chou's domestic and foreign programs, they decided to stage a repeat of Nixon's visit. The Western press wondered whether the invitation to the discredited former President was a calculated insult to United States President Gerald Ford for his presumed excessive enthusiasm for détente with the Soviet Union and his foot-dragging on normalizing relations with the People's Republic. Meanwhile, the Chinese press covered the visit at great length, stressing Mao's warm meeting with the Nixons. Apparently, the object was to convince all the party workers that the line initiated by Chou En-lai was still correct.

Yet, as soon as the visit ended, attacks on the "capitalist roader in the party" intensified. To make sure that no one misunderstood the meaning of the attacks, reference was made to the "false" doctrine that "it doesn't matter whether the cat is black or white as long as it catches mice." This was a widely recognized reference to a remark Teng Hsiao-p'ing had made shortly before the Cultural Revolution (when he was championing pragmatic solutions over doctrinal rigidity), which contributed to his earlier political disgrace from which Chou had rehabilitated him. The Chinese press also spoke about the "scheming revisionist" doctrine of "falsely" equating "stability and order" and "economic growth" with "class struggle" instead of making the class struggle the key to "studying the dictatorship of the proletariat."

In spite of the attacks on Teng throughout March

it still seemed that Chou En-lai's arrangements would survive the polemical outbursts. The struggle was brought to a head, however, on April 4, the date of the Ch'ing Ming festival when Chinese traditionally go to cemeteries to refurbish ancestral graves. In Chou En-lai's purported will—there have been charges that it may have been forged—he supposedly asked that his ashes be scattered throughout the length and breadth of China. Thus there was no grave, mausoleum or special place to honor his memory. On that Ch'ing Ming Sunday, tens of thousands of people who were loyal to the memory of Chou and undoubtedly anxious to demonstrate their support for Teng, chose to go to the huge Tien An Men Square in the Center of Peking to lay wreaths at the Monument of the Martyrs of the Revolution.

The wreaths were eventually piled more than 40 feet high and carried slogans that attacked the radicals, most particularly Chiang Ch'ing, Mao's wife: "Down With the Empress Dowager!"; "Down With Indira Gandhi!"; and "Let Us Remember Yang K'ai-hui" (Mao's first wife). The culmination of the demonstration was a series of signs that bore the following poem:

Devils howl as we pour out our grief.
We weep but the wolves laugh.
We spill our blood in memory of the hero.
Raising our brows, we unsheathe our swords.
China is no longer the China of yore.
And the people are no longer wrapped in sheer ignorance.
Gone for good is Ch'in Shih Huang's feudal society.¹
We believe in Marxism-Leninism.²
To hell with those scholars who emasculate Marxism-Leninism.
What we want is genuine Marxism-Leninism,
We fear not shedding our blood or laying down our lives.
The day of modernization is realized in four fields.
We will come back to offer libations and sacrifices.

On the night of April 4 all the wreaths were removed. On April 5 a crowd of over 100,000 gathered, chanting slogans, overturning at least one car, wrecking a fire engine, and tossing policemen's caps into the air. Later, the *People's Daily* was to claim that the trouble was caused by only "a few bad elements, sporting crew cuts, and taking turns at inciting the people by shouting themselves hoarse through a transistor megaphone." Yet Western observers noted that the crowd pressed toward the Great Hall of the People as though to "present a petition," and then it sprang to the other corner of the square and attacked a building belonging to the public security forces (Hua-Kuo-feng's secret police).

¹ Ch'in Shih Huang-ti was the Emperor who unified China and was also considered a tyrant. But Mao Tse-tung has identified his own rule with Ch'in Shih Huang; hence the line can be read as an attack on Mao.

² The mention of Marxism-Leninism without the customary Chinese addition of Mao Tse-tung Thought represented another pointed attack on Mao himself.

The demonstration was, of course, organized and not spontaneous; but it did prove the strength of the Chou-Teng forces. The crowd was finally dispersed by "tens of thousands of worker-militiamen, in co-ordination with PLA guards." Elsewhere in China, there were violent outbursts in sympathy for what had happened in Tien An Men Square. The Chinese power structure was splitting, and elements were resorting to violence. On the night of April 7, the Politburo had an emergency meeting and announced that Teng Hsiao-p'ing had been stripped of all his offices but allowed to retain his party membership "so he can be carefully observed." Hua Kuo-feng was made Premier and First Vice Chairman of the party.

On the face of it, the events of early April apparently strengthened the "radicals" and put the "moderates" on the defensive. Yet so far there has been little change in personnel; indeed, men who were once close to Chou and Teng have been elevated in the few provincial appointments that took place since Hua became Prime Minister.

Tensions, however, have not abated. For the first time since Mao encouraged criticism in the Hundred Flowers Campaign of 1956, there have been reports of criticisms of Mao himself. Those who tied their political fortunes to Chou and Teng and shared their philosophies are concerned and disillusioned. Two leaders of the Tien An Men Square demonstration have been executed; wall posters have appeared throughout the country declaring: "those ghosts, monsters, devils, and clowns who created the disturbance all danced to the music played by Teng Hsiao-p'ing," who is called "the unrepentant capitalist roader," the force behind "the right deviationist wind to reverse verdicts" and "China's Nagy."

Those committed to Chou En-lai's drive to modernize China have hesitated to show their power as they wait for the struggle that will take place after Mao's death. By June, 1976, it seemed that this might not be far off, as the Chinese public was shown photographs of Mao in a weak condition during his brief meeting with Prime Minister Lee Kuan Yew of Singapore. The three women who had long been close to Mao as his interpreters and confidants were suddenly replaced by a male interpreter who had been close to Chou.

As this is being written (in the first week of June) the future in China is most murky. No one knows how intense the struggle will be and how much violence will take place. Unfortunately, the military

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Lucian W. Pye is a specialist on comparative political behavior in Asia. He is the author of many books, including *Mao Tse-tung: The Man in the Leader* (New York: Basic Books, 1975) and *China: An Introduction* (Boston: Little Brown, 1972).

"The care of the elderly in China today is a joint responsibility of the family and the larger society. Because of the marked improvement in public health and longer life expectancy, there are more old people to take care of than ever before." But unfortunately, as this specialist points out, certain elements in Chinese society, the 45 million to 50 million "enemies" of the state, "age in disgrace."

Growing Old in China

BY JAN S. PRYBYLA

Professor of Economics, The Pennsylvania State University

I AM 101 YEARS old. People call me "Hundred-Year-Old Man." I began learning to read when I was 98 years old and my first book was Chairman Mao's *Serve the People*. I learned to write when I was 99 and the first words I wrote were "long live Chairman Mao!" I made my first long trip when I was 100 and it was to visit Chairman Mao's birthplace in Shaoshan. I am a very old man, but after reading Chairman Mao's books, I feel clearer in my mind and younger in years. . . . My wife said, "Here you are with one foot in the grave and you still think you can learn to read all that." Ah! If it were still the old society [I said] I would have been dead long ago. . . . But today I am still alive thanks to Chairman Mao. . . . I made 200 pairs of straw sandals for the poor and lower-middle peasants of my brigade, but not a single pair for the landlords and rich peasants. I hate them to the bone. . . . Chairman Mao's works helped me understand who our friends are and who our enemies are. We must love our own people and hate our enemies. . . . There are many young people in our village. Born after liberation, they knew little about the miserable life of the old society and some of them didn't appreciate the good life they have. To help them understand what class struggle is, I would go to the young people's study class and the children's propaganda station and tell them about the history of our village, the crimes of the landlords and the local tyrants and how I used to beg for a living.¹

Ma Lao-erh, the author of this passage, was a once poor peasant of the Miao nationality, a member of the Chiwei People's Commune in Chairman Mao Tse-tung's native province of Hunan. The quotation from his article enunciates both overtly and by implication several fundamental principles that govern graceful aging in the People's Republic.

1. In dialectical fashion, growing older in years

means growing younger, more vigorous and alert in political consciousness. Curing "letter blindness" inherited from the old society is only a means, the purpose of which is reading, memorizing and grasping the meaning of the correct writings, especially the "Three Constantly Read Articles," of Chairman Mao.² At the age of 100, Ma had "come to understand what Chairman Mao teaches . . . and learned sixty quotations from Chairman Mao by heart."

2. By definition, landlords, rich peasants, counter-revolutionaries, rightists, and bad elements—the so-called "Five Black Categories" or "Five Blacks" for short—cannot comprehend the meaning of the correct writings. Unable to rejuvenate themselves politically, they age in disgrace, targets of public opprobrium and class hatred. During my visit to China, I asked how many such enemies there might be in the People's Republic. Not more than 5 percent, I was told. This translates into 45 million to 50 million heads, most of them old.

3. Political rejuvenation at an advanced age entails good works for the collectivity with no thought of personal gain. Respect for age has to be earned every day. Like the young in years, the old are urged to participate in productive work as much as they can, to help raise the political consciousness of the young who know little about the evils of the old society and, on occasion, fail to appreciate the good life they now lead. Ma not only planted corn on his vegetable plot and sold 200 ears to the state, but told revolutionary stories to village children. As a result, one of his pupils "did his work well and also organized a Red Children's Propaganda Station to spread Mao Tse-tung Thought."

4. Given correct class background and a demonstrated desire to serve the people, the people's organs of power help the elderly "regardless of nationality, citizenship, religion, or sex."³ The unstated qualification is that religious observance is equated with "su-

¹ Ma Lao-erh, "I Grow Younger in Years," *China Reconstructs*, August, 1970, pp. 37-39.

² Mao's "Three Constantly Read Articles" are: 1. "Serve the People," 2. "In Memory of Norman Bethune," and 3. "The Foolish Old Man Who Removed the Mountain."

³ "Labor Insurance and Benefits to Workers," *China Reconstructs*, May, 1974, p. 35.

perstitious practices"; the religious run the risk of being consigned to the Five Blacks. National origin does not matter, provided the nationals in question do not actively seek national independence from China, like a good many Tibetans, for example.

5. The people's organs of power help those who help themselves. There should be as much self-reliance as possible; an avoidance of the free handout mentality.

6. Whereas in the old society the principal, not to say the only, dispenser of aid to the aged was the family, today such help is also provided by a social unit larger than the household, one whose members are related by class, residence, or function rather than blood. In the countryside, it is the production team, brigade or commune. In urban areas it is the lane, street or neighborhood association, the factory or workshop, linked to higher state organs. Since the Cultural Revolution of 1966–1969, care for the rural elderly has been raised on the scale of social priorities and improved.

AGE AND THE VALUE SYSTEM

Moral respect for age and its institutionalization in a hierarchical kinship order are based in large part on the practical value of age—broadly "experience"—in a slowly changing society. This experience ("empiricism enriched by years," as Yang calls it⁴) is acquired over time within the traditional social and technological environment. Modernization involves acceleration of the pace of change. Knowledge, techniques and social institutions become rapidly obsolete, and with them the elderly, who lose both personal prestige and social authority. In such a world, the young usually have the necessary mental flexibility and the physical energy to absorb the avalanche of rapidly changing information and adapt themselves to fluid life patterns. Specialized formal education

comes to count more than learning acquired through lifelong experience.

Its practical value eroded, age reveals its disadvantages. At the same time, the burden of rigid hierarchical kinship structures on the young becomes less bearable. In its extreme manifestations, modernization elbows the elderly aside, because they are an obstacle to progress and a nuisance. The process, while still far from this extreme, was well advanced in China before the Communist takeover of 1949; more so among the urban industrial population and the educated than in the countryside.

Communist policy has weakened the kinship system still further, especially in the countryside, and at the same time has bolstered the status of veteran peasants and workers. The young have been liberated from the often claustrophobic authority of the family clan, but they have been subjected to the perhaps even more comprehensive authority of the mass youth organization. Although highly visible and on occasion vocal, the young in China are not really running the show. The show is run by a gerontocracy which both prizes and uses the young for ends that it considers valid and important. The regime's emphasis on the applied, on learning through doing, and on the inventive potential of the worker and peasant masses, its anti-intellectualism and suspicion of theory and "book learning," and the proliferation since the early 1960's of labor-intensive, small and medium-sized local industries using intermediate technology (i.e., updated traditional technology) have all contributed to arresting—at least for the time being—the decline in the social legitimacy of experience gained by practice over a lifetime. Today, the authority of the elderly is derived from their status as veteran workers and revolutionaries, not from their personal standing within the family hierarchy.⁵ Respect has to be re-earned every day through good works for the community, and it should include learning from the young as well as giving advice.

Like everything else in China, age is a political and class phenomenon. This is the direction in which official thinking is moving. Undoubtedly, filial piety, family affection, and respect for patriarchal power are not uncommon even today.⁶ But family bonds are looser and the larger social bonds are tighter. The new approach to age finds expression in the so-called "Three-in-One Combinations" of the old, the middle-aged, and the young, which are supposed to be observed in the makeup of party and revolutionary committees, China's basic organs of party and state power.⁷

TAKING CARE OF THE ELDERLY

For those who qualify by reason of their proven determination to work for socialist revolution and construction, there are two distinct systems of material

⁴ C. K. Yang, "The Decline of Importance of Age," in W. T. Liu, ed., *Chinese Society Under Communism* (New York: John Wiley & Sons, 1967), p. 415.

⁵ My 1974 conversations with "responsible persons" in Chinese factories left me with the impression that seniority is an important criterion of promotion and of material benefits available to a worker.

⁶ In his "Talks to the Yenan Forum on Literature and Art," which form the basis of today's cultural reform in China, Chairman Mao teaches: "In a class society there is only class human nature and there is no human nature common to all classes. There is no love and no hatred without a cause, and there is no such thing as love of the human race."

⁷ It is possible that the old-middle age and young combination replaces the army men-rehabilitated cadres and mass delegates combination in the wake of the Lin Piao affair. The old not only have leadership experience but often offset the power of army cadres in party and government organs. The massive reinstatement of older cadres since the end of the Cultural Revolution has often been opposed by the party's left wing and denounced by them as the "restoration of the old (revisionist) order."

security in old age. The first applies to workers and employees in the state sector of the economy: most modern industry, government organs, transport and communications, trade, mass organizations, education, and so on. The second is applicable mostly to commune peasants, i.e., to members of the economy's "cooperative" sector. Although the Cultural Revolution (1966-1969) brought about a significant improvement in the supply of care to the rural elderly as part of a general upgrading of social services in the countryside, the state system remains superior to the cooperative system in terms of coverage, benefits availability and quality. The state social insurance system covers a small proportion of the labor force, not more than 10-15 percent—perhaps 50 million workers in all. The great majority of the elderly in China live within the rural cooperative self-help system.

THE COOPERATIVE SYSTEM

First, the elderly help themselves to the extent they can; next, their families are supposed to help them as much as possible; finally, the production team, brigade and commune lend a hand. Care for the elderly continues to be a family responsibility, but nowadays it does not stop at the household's door. Family income from communal work and private plot activity is normally pooled and shared. This is true also in the cities. An informative article published not long ago revealed that a presumably typical urban working family of two adults and three children sends 7 percent of its monthly income of 146 yuan (roughly \$73) to the husband's mother in the countryside for "spending money."⁸ That is as much as the whole family spends on clothing each month.

The most common form of cooperative aid, usually administered by production teams (40-50 households each) but sometimes administered by the larger production brigades (ca. 200 households) goes by the name of the "Five Guarantees." The system is not limited to the elderly—it covers all "households in difficulties" except the Five Blacks—but its greatest impact is on households with insufficient "labor powers," that is, working members. Frequently, these households are composed of the elderly who have no

economically active relatives. The team guarantees such individuals basic amounts of food, clothing, fuel, shelter and medical care. The team will also pay funeral expenses of those without next-of-kin; since the Cultural Revolution this has meant cremation, the idea being not to take up good agricultural land with graveyards.

Food supply is assured by earmarking a basic ration of grain and cooking oil out of the team's annual net output. In one team which had received some publicity, 70 percent of the annual grain ration is normally distributed at a fixed amount per capita; the remainder is divided according to work-points earned.⁹ Whatever the precise modalities, there is a food consumption floor below which no one counted among the people is allowed to fall.

The provision of clothing, fuel, living quarters, and medical care is made out of the production teams' welfare funds, supplemented if need be by grants from the welfare and reserve (capital) funds of production brigades and communes. Since the Cultural Revolution, most commune members are covered by the Cooperative Medical System, which involves the payment of premiums (about 1.50 yuan a year as a "membership fee") and nominal consulting fees (around 0.05 yuan per consultation) by the insured, contributions from team, brigade, and commune welfare and capital funds, and occasional capital grants from higher state authorities. The insured individual generally pays for half the hospitalization costs if he cannot be treated at the brigade health station or the commune clinic. These medical benefits continue after a person ceases to work on the commune because of old age and, presumably, depending on the post-retirement income, membership and consulting fees are waived and hospitalization is provided free of charge under the Five Guarantees.

The recipient of cooperative welfare benefits may live in his own house, the repairs and maintenance of which will be charged to the team or, in a "Home of Respect for the Aged" normally found at the level of and financed by the commune. People placed in such homes are elderly bachelors, spinsters, and childless couples. They receive food, shelter, and medical attention at the home and, to the extent possible, give a hand with story-telling in the commune's schools.¹⁰

Because the system is by and large self-supporting and because there are sizable differences in the annual income earned by different teams, brigades and communes, the level and quality of aid to the rural elderly vary from place to place and fluctuate over time. However, there is a guaranteed basic security in old age. Since the Cultural Revolution, health care delivery has been substantially improved and linked to the state medical and public health system by an elaborate and apparently effective system of referrals.

⁸ "Two Family Accounts," *China Reconstructs*, April, 1975, pp. 14, 34.

⁹ "People's Commune is Fine," New China News Agency, Canton, News Release No. 6852, July 19, 1973. "In our production team, an old member by the name of Mo Chang-huai is 72 this year. Since he was 65, our production team has placed him on the list of Five-Guaranteed-Families, and looked after him year after year. Last year he received from distribution 634 catties [697.4 lbs.] of ration grain and other necessities for living. In ordinary times our production team has also given him money to buy oil and salt and for petty expenses. The team members have also delivered to him water and fuel-wood." *Ibid.*, p. 194.

¹⁰ *Peking Review*, No. 1, January 5, 1973, p. 31.

The rural patient may be referred all the way from his home, where he is examined by a "barefoot doctor" (paramedic), to a specialized hospital at the provincial level. Unlike the Stalinist rural cooperative welfare system, the Chinese system gives every indication of not being a sham. On the contrary, it is marked by considerable involvement of the public, and its short- and medium-range psychic and social benefits probably far outweigh its economic costs.

With some modifications, the system also applies to urban cooperative sector workers, to people who run the so-called "street factories" in the larger cities and to others not covered by government social insurance. The system of urban medical care parallels the rural cooperative medical service. There are lane health stations staffed by "street doctors" (the urban equivalents of rural barefoot doctors) and public health workers; street health stations run by street committees and staffed by street doctors; district hospitals managed by neighborhood associations ("urban communes"); and municipal general as well as specialized hospitals managed by city governments. Here, too, the first responsibility for the elderly lies with the family, supplemented by lane, street, neighborhood and municipal action.

State sector workers and employees are covered by a national system of social security initiated in the 1950's, which includes provisions for retirement and free or low-cost medical care.

There is mandatory retirement at age 60 for men and at age 55 for women at up to 85 percent of the last-earned (presumably the highest) wage, provided the retiree has worked for 25 years (20 years in the case of women), including 5 years in the enterprise from which he retires. Depending on the number of years worked prior to retirement, the pension could be as little as 50 percent of the last wage. Because of the relative immobility of the labor force, retirement at about 70 percent of the highest wage appears to be typical for state sector workers and employees. In former years, if an enterprise asked a worker to stay on the job after he or she was qualified to retire, the worker was entitled during that time to receive, in addition to the wage, a monthly old-age work pension scaled according to the number of years of his employment with the enterprise, ranging from 10 to 20 percent of the currently earned wage. Because of the abolition of bonus payments at the time of the Cultural Revolution, it is not clear whether this system is still in operation. It has not been mentioned in recent press discussions of the subject. Pensions for retired women workers are paid on the same principle as those for men.

Men who work in mines or in places that are constantly at temperatures below 32°F or above 100°F are entitled to retire at 55; women at 45. Benefit payments are calculated like benefits for other work-

ers, except that under difficult work conditions, one year's work is counted as one year and three months. Where work is directly detrimental to health (e.g., in some branches of the chemical industry), workers are eligible for retirement at the same ages as miners (55 for men; 45 for women), except that in calculating the number of years of employment, including those in the enterprise concerned, one year's work counts as one year and six months.

Pensions are payable until the retiree's death. The retiree retains his rights to medical care that includes free treatment, surgery, hospitalization and ordinary medicines. However, meals at the hospital and travel expenses are charged to the patient. Exemptions are allowed in accordance with perceived need. If the illness is related to the retiree's past work, the patient pays for only 20 percent of the cost of meals.

Elderly dependent relatives of state sector workers in industry, mining, transport, and communications who are not themselves former state sector workers are nevertheless entitled to medical benefits paid by the worker's enterprise. Such a dependent does not have to pay for meals at the hospital or consultation fees, but he is charged for 50 percent of the cost of treatment as well as for drugs and special laboratory tests (normal laboratory tests are free). Dependent relatives of all other employees in state sector agencies who do not have state sector retirement privileges must join the cooperative system and pay the full cost of registration, food, treatment, drugs, and laboratory tests, which are not very high relative to average monthly earnings.

The death of a worker after retirement due to complete disability resulting from injury sustained at work entitles the former worker's lineal dependents to receive funeral expenses, the amount being three months' wages based on the average wages of workers and staff members in the worker's former employing enterprise. A monthly pension, based on the number of lineal dependents, is paid to these dependents. The pension varies from 25 to 50 percent of the highest wages of the deceased. Death of a worker after retirement due to sickness or injury not related to the deceased person's former work entitles his lineal dependents to a funeral allowance equivalent to the deceased former worker's two months' wages and a relief benefit equivalent to 6-12 months' wages, depending on the number of dependents.

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Jan S. Prybyla is the author of *The Political Economy of Communist China* (New York: Intext, 1970), and editor of *Comparative Economic Systems* (New York: Irvington Books, 1969). He has written extensively on China and the Soviet Union, and visited Communist China in 1974. He is currently working on a book on the Chinese economy.

"Vis-à-vis individual third world countries, Chinese leaders must decide whether to cooperate with a friendly non-Communist government in power or to support instead a Marxist revolutionary movement attempting to overthrow it."

Dilemmas in Chinese Foreign Policy

By PETER VAN NESS

Associate Professor, Graduate School of International Studies, University of Denver

THE YEAR 1976 marked a historic transition for the People's Republic of China. The Chinese Communist party leadership, which conceived and directed the successful overthrow of the Chiang Kai-shek government and laid the foundations for a socialist China, is passing its responsibilities to a new generation of Chinese leaders. Premier Chou En-lai, in charge of China's domestic and international affairs for 26 years, died in January; and his apparent successor-designate, Teng Hsiao-p'ing, was subsequently expelled from his official positions and denounced as having betrayed marxism. Chairman Mao Tse-tung, whose ideas provided the design and theoretical foundation of China's domestic and foreign policies, no longer received visiting foreign leaders in his study near the Gate of Heavenly Peace; and there were clear indications that the Chairman's health was declining.¹

The veterans of the Long March will leave office with records of impressive achievement. In 1949, when the People's Republic was founded, China was in shambles, the victim of a century of Western imperialism, domestic chaos, foreign invasion and civil war. Today, the Maoist leadership has established firm foundations for a modern, socialist society—one

which many third world countries have come to see as a model of self-reliant development both in its domestic and international accomplishments. In foreign affairs, China has broken out of the American-imposed containment and diplomatic isolation initiated in the 1950's and has won recognition as one of the world's major powers: a permanent member of the United Nations Security Council, a nuclear power, and an indispensable participant in international deliberations on all significant questions.

Yet no matter what group of Chinese leaders ultimately gains responsibility for Peking's international relations, important and difficult problems confront the People's Republic. More specifically, Chinese statesmen face two classic dilemmas. Vis-à-vis the two superpowers, they must decide whether to oppose both at the same time or to focus Chinese efforts on attacking one and cooperating with the other. Vis-à-vis individual third world countries, Chinese leaders must decide whether to cooperate with a friendly non-Communist government in power or to support instead a Marxist revolutionary movement attempting to overthrow it.

Since 1974, Maoist theory has formally classified the countries of the globe into three "worlds."² The first world includes only the two superpowers, the United States and the Soviet Union, which are regarded as "imperialist" and "social imperialist," contending with each other for "hegemony" or world domination. The third world is comprised of the non-industrialized countries of Asia, Africa, and Latin America, both Communist and non-Communist—those countries that are the main victims of superpower aggression. Third world poverty and underdevelopment are interpreted by Chinese policy to have been caused by imperialist exploitation.³ In Peking's view, China is a member of this group: "a developing country belonging to the third world." The second world is made up of those industrialized countries that are not superpowers. The second world includes both

¹ As this article is written, reports from Peking speak of meetings of Chinese officials being held every evening in the Great Hall of the People—perhaps to determine the composition of a successor leadership and the course of China's future. See Agence France-Presse, Peking, June 15, 1976, printed in *The New York Times*, June 16, 1976, p. 1. See also *The New York Times*, June 18, 1976, p. 2.

² The definitive statement of this position was made in a speech by Teng Hsiao-p'ing to a special session of the United Nations General Assembly in April, 1974. In spite of the fact that Teng Hsiao-p'ing has recently come under attack and has lost his leadership positions in the party and government, the analysis defined in his speech has remained the official Chinese position. For a translation of Teng's speech, see *Peking Review*, April 19, 1974.

³ See the discussion in a speech by Li Chiang, Minister of Foreign Trade, translated in *Peking Review*, September 12, 1975.

Communist and non-Communist states (e.g., Poland, East Germany, France and Britain) and (presumably) non-Western as well as Western industrialized nations. For example, in terms of this typology of states, Japan would be a member of the second world.⁴

Western analysts of international politics have described the global system in the process of change from a cold war, bipolar configuration to a multi-polar structure; the Maoist three-worlds concept replaces earlier Chinese analyses that emphasized Communist versus anti-Communist global alignments (i.e., the "socialist camp" versus "imperialism"). The Chinese argue that, because of the emergence of revisionism and, later, social imperialism in the Soviet Union, "the socialist camp that existed for a time after World War II is no longer in existence."⁵ In terms of the three-worlds notion, the former members of the socialist camp are now divided among the three worlds: the Soviet Union is a member of the first world; East European countries like Poland, East Germany, and Bulgaria are part of the second world; and China herself (with North Korea, Vietnam, Laos, and Cambodia) is a socialist country of the third world.

In this analysis the first world countries, the superpowers, because of their immense economic and military capabilities as well as their compulsion to dominate other nations, are the source of the world's major problems:

The two superpowers are the biggest international exploiters and oppressors of today. They are the source of a new world war. They both possess large numbers of nuclear weapons. They carry on a keenly contested arms race, station massive forces abroad and set up military bases everywhere, threatening the independence and security of all nations. They both keep subjecting other countries to their control, subversion, interference or aggression. They both exploit other countries economically, plundering their wealth and grabbing their resources. In bullying others, the superpower which flaunts the label of socialist [the U.S.S.R.] is especially vicious.⁶

Since the withdrawal of American troops from Indochina and what appears to be a decline in American intervention abroad, the Chinese have particularly warned third world governments to beware of an emergent Soviet expansionism. The analogy most often used in Chinese statements is that of the "tiger" and the "wolf":

In the current struggle against colonialism, imperialism and hegemonism, we developing countries must especially

guard against the danger of "letting the tiger [the U.S.S.R.] in through the back door" while "repulsing the wolf [the United States] through the front gate."⁷

PRC RELATIONS WITH THE SUPERPOWERS

In actual practice, the superpowers' overwhelming military might makes China's relations with the United States and the Soviet Union Peking's most important foreign policy concern. Except for the future possibility of a nuclear-armed Japan (which at present seems an unlikely eventuality), no other state, except in alliance with either of the superpowers, poses a significant national security threat to China.

In this sense, the history of the international relations of the People's Republic since its founding in 1949 can best be understood as comprised of three distinct periods, each identified on the basis of changing Chinese relations with the two superpowers. For the first decade, the People's Republic based its international policies on close cooperation with the U.S.S.R.⁸ For the next ten years China increasingly sought to oppose and to resist the Soviet Union and the United States simultaneously. Finally, the third period, from 1971 to the present, is the era of Sino-American détente, begun as the result of Chinese initiatives to the administration of President Richard Nixon, and Henry Kissinger's secret trip to Peking. In striking contrast to the previous two decades of mutual hostility, since 1971, both Washington and Peking have sought to build bilateral relations of co-operation rather than conflict.

During each of these periods, China's policy toward third world governments has focused on building coalitions among the countries of Asia, Africa and Latin America to oppose China's superpower enemy or enemies of the moment. Thus, during the 1950's and the early 1960's, Chinese policy emphasized third world efforts to oppose "imperialism headed by the United States." By 1965, when China and other third world governments were making plans for a second Afro-Asian summit conference in Algeria (the first was the Bandung Conference of 1955), Peking wanted to exclude the Soviet Union from that meeting and to undercut its ties with the third world as much as it wanted the conference to adopt resolutions attacking United States imperialism. Today, although China's three-world formulation apparently categorizes the Soviet Union and the United States in similar terms, it is clear that China sees the Soviet Union as the "main danger," and attempts to convince third world friends that the Soviet Union is the greater threat to them as well.

ANGOLA

The case of Angola exemplifies the dilemma that Peking faces. Following the April, 1974, overthrow of the dictatorship of Marcello Caetano in Lisbon,

⁴ "Second World Develops Economic Relations with the Third World," *Peking Review*, December 19, 1975.

⁵ Teng Hsiao-p'ing speech, *ibid.*, p. 6.

⁶ *Ibid.*

⁷ *Ibid.*

⁸ For an analysis of Sino-Soviet relations from the founding of the Chinese Communist party in 1921 to the present, see John Gittings, *The World and China, 1922-1972* (New York: Harper & Row, 1974).

Portugal's new military leaders promised to grant independence to that country's African colonies, including Guinea-Bissau, Mozambique, and Angola. In Angola, a revolutionary war for independence had been going on since 1961, and by 1975 there were three major national liberation movements active in the country: the Popular Movement for the Liberation of Angola (MPLA), the National Movement for the Total Independence of Angola (UNITA), and the National Front of Angolan Liberation (FNLA). Each drew its popular support mainly from a particular tribal following, and there seemed to be little ideological difference among the organizations in terms of the social and political objectives they proposed for Angola. Since the beginning of the armed struggle 15 years earlier, Peking had given public support (and apparently at least some material assistance) to all three groups. But once it became clear that Portugal was going to withdraw her forces from the territory and once Soviet involvement in Angola was identified with the MPLA, China channeled her assistance to the other two organizations, which were competing with the MPLA for control of an independent Angola. When the struggle among the three Angolan movements turned into outright civil war, in the fall of 1975, an embarrassed China found herself on the same side as the United States and South Africa, who were also intent on defeating the Soviet and Cuban intervention in behalf of the MPLA.

The Chinese claimed that Moscow's support for the MPLA constituted Soviet expansionism, part of a design to "colonize" Africa.⁹ As a result, Peking justified its support for those groups fighting against the MPLA as part of an effort to resist so-called social imperialism, and urged African countries to do likewise because Soviet intervention threatened them as well as Angola. Interestingly, President Gerald Ford's position on the Angolan question was very similar. The United States representative to the United Nations, Daniel P. Moynihan, charged that Moscow was attempting to gain colonies in Africa, and Secretary of State Henry Kissinger testified before committees in Congress urging that they approve American intervention to counter the Soviet Union's

"massive and unprecedented intervention in the internal affairs of Africa."¹⁰

However, many Africans disagreed with this interpretation of the Soviet role. In effect, they seemed to be saying to Peking:

The Soviet Union may indeed be a threat to China, but in Africa Soviet assistance for national liberation movements and revolutionary actions to expel white supremacist rule from southern Africa are on balance a positive factor. The main danger here is still Western colonial and neo-colonial control, and your internecine battle with the Soviet Union only hurts our efforts because it leads both of you to take sides and to divide the forces for true national independence and social justice in Africa.

Thus there is a dilemma for China in her relations with the superpowers. On the one hand, if Peking chooses to oppose both the United States and the U.S.S.R., and to turn to the third world for alliances against all forms of superpower influence, China may lose the perhaps vital national security benefit of countering a Soviet military threat by means of détente with the United States. On the other hand, if Peking makes peace with the United States and focuses its attack on the Soviet Union, she faces charges that she is splitting the global anti-imperialist movement and tacitly supporting the status quo.¹¹ Already observers have noted the conservative implications of the emerging pattern of common United States and Chinese foreign policy positions in Angola and on a wide variety of political issues in different parts of the world—e.g., common cooperation with General Augusto Pinochet Ugarte's dictatorship in Chile; endorsement of the Socialist party rather than the Communists in Portugal; support for the North Atlantic Treaty Organization (NATO) in Europe and for the Association of Southeast Asian Nations (ASEAN) in Southeast Asia.

REVOLUTION VS. PEACEFUL COEXISTENCE

Choosing between revolution and peaceful coexistence with third world countries poses a dilemma.

Should Peking support Maoist revolutionary movements engaged in armed struggles to overthrow non-Communist third world regimes, or, alternatively, should Peking cooperate on the basis of the five principles of peaceful coexistence¹² with the independent, non-Communist governments of Asia, Africa, and Latin America? The dilemma arises only in China's relations with those third world countries that are ruled by non-Communist governments friendly to Peking, where there are also active Marxist revolutionary organizations. Under these conditions, Chinese leaders must decide whether to support the revolutionaries or the government (or to support both and then try to explain to officials in power why China is giving assistance to groups that are attempting to overthrow them, an effort which has met with

⁹ See the Chinese *People's Daily* editorial of February 4, 1976, "Big Exposure of Soviet Revisionists' Colonial Expansion," translated in *Peking Review*, February 6, 1976.

¹⁰ "Implications of Angola for Future U.S. Foreign Policy," January 29, 1976, Bureau of Public Affairs, Office of Media Services, Department of State.

¹¹ See, for example, the debate in the pages of the *Guardian* (Manchester) on Chinese foreign policy, particularly the article by Wilfred Burchett in the May 5, 1976, issue.

¹² The five principles of peaceful coexistence are: respect for the sovereignty and territorial integrity of all states, non-aggression against other states, non-interference in the internal affairs of other states, equality and mutual benefit, and peaceful coexistence. They were first enunciated in an agreement between China and India in April, 1954.

very little success to date). In relations with territories still under colonial control or ruled by governments hostile to Peking, China of course chooses the revolutionary alternative.

The People's Republic of China has a very substantial stake in its relations with the majority of non-Communist nations of the third world. Two-thirds of these countries have established formal diplomatic relations with Peking, and some 50 of them have been recipients of a total of over \$3.5 billion in Chinese economic commitments since 1956.¹³ Moreover, there are significant benefits for China in cultivating friends and building government-to-government cooperation with non-Communist third world countries. Third world friends enhance the security of China's vulnerable borders, unite to resist one or both of China's superpower opponents, establish advantageous trade ties with China, and work together in a variety of ways to reshape global political and economic relations in favor of the "have-not" rather than "have" countries. For example, the Organization of Petroleum Exporting Countries (OPEC) oil embargo of 1973 and the joint control of petroleum exports as a political weapon (a tactic endorsed by Peking) demonstrated the tremendous influence that third world governments can acquire if they work together.

In the current Chinese theoretical view of global politics, reiterated at banquets in the Great Hall of the People honoring visiting foreigners and in speeches before international meetings, the world is characterized by "great disorder under heaven"; "countries want independence, nations want liberation, and the people want revolution."¹⁴ Observing Chinese global activities, however, one wonders whether Peking is not more interested in stability than disorder, especially in the areas around China's periphery. Chinese policy-makers seem to be concerned that the beneficiary of any major or even domestic conflicts may be their mortal enemy, the Soviet Union.

During the 1970's, and especially since recognition of the People's Republic by the United Nations in October, 1971, Chinese policy toward the third world has emphasized cooperating with non-Communist governments in support of their efforts to achieve full national independence, particularly their freedom from superpower control. Thus, early in the 1970's,

Chinese policy toward Latin America began to shift from universal support for revolutionary movements toward the establishment of government-to-government ties.

Relations with Asian nations are of special importance to China because of geographical proximity and the key problem of China's national defense. Soviet efforts to establish a so-called collective security in Asia are probably Peking's greatest concern at present in relations with the countries of South and Southeast Asia. The Soviet design, which to all appearances is modeled on the earlier American attempt to contain and to isolate China, has apparently prompted a greater Chinese emphasis on government-to-government links and regional cooperation. In relations with the non-Communist countries of Southeast Asia, for example (contrary to some expectations that Peking would favor pushing over "falling dominoes" in the aftermath of the Communist victories in Vietnam, Cambodia, and Laos), the People's Republic seems to favor the objectives of regional cooperation sought by the five member-nations of ASEAN. Similarly, in relations with the countries of South Asia, China has normalized her diplomatic relations with India, exchanging ambassadors for the first time since the border war of 1962. And in recent weeks, China has actively supported the resolution of long-standing differences among India, Pakistan and Bangladesh.¹⁵

Yet, China cannot formally give up support for Maoist revolutionary movements in the third world. To give exclusive priority to cooperation with non-Communist governments, while ignoring the aspirations of third world Marxists, would cost China the respect of those revolutionaries who have looked to Peking for moral leadership and political support. On the other hand, to opt for exclusive support for Maoist revolutionaries would enhance the likelihood of Soviet encirclement and destroy the opportunity to cooperate with third world governments, thus isolating China from the efforts of the "have-not" nations to reshape patterns of international power.

A decision by China's new leaders to seek reconciliation with Moscow could change all this. If China no longer feared an attack from the Soviet Union and no longer saw herself as a competitor of the Soviets in international affairs, the dilemmas for China might dissolve. Certainly China would hardly need to cooperate with the United States or maintain coalitions with non-Communist third world governments. The United States refusal to grant formal

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¹³ Carol H. Fogarty, "China's Economic Relations with the Third World," Joint Economic Committee, Congress of the United States, *China: A Reassessment of the Economy* (Washington, D.C.: U.S. Government Printing Office, July 10, 1975).

¹⁴ See, for example, Premier Hua Kuo-feng's speech at a banquet honoring visiting Australian Prime Minister Malcolm Fraser, *Peking Review*, June 25, 1976, p. 4.

¹⁵ See especially the Chinese reports of Pakistan Prime Minister Z. A. Bhutto's visit to China in *Peking Review*, June 4, 1976.

Peter Van Ness is the author of *Revolution and Chinese Foreign Policy: Peking's Support for Wars of National Liberation* (Berkeley, Calif.: University of California Press, 1970).

"With anticipated good performance in the agricultural sector, the growth rate in the Chinese industrial sector will most likely be boosted upward during 1976-1980. Expansion of agricultural products not only stimulates the growth of the light industrial sector but also provides additional capital funds for the construction of heavy industry."

Agricultural Modernization and Industrialization in China

BY KUAN-I CHEN

Professor of Economics, State University of New York at Albany

UNDER THE FOURTH five-year plan (January, 1971-December, 1975) China's overall national output was supposed to maintain a compound growth rate of about 7.5 percent annually, with industrial output rising by around 10 percent a year. An annual growth rate of 7.5 percent would double the national output every decade.

By National Day (October 1, 1975), the nation was informed that this fourth plan would be successfully fulfilled. Plan fulfillment would be a considerable achievement, because a number of factors hampered economic activities during this plan period, including very poor weather, a large trade deficit, political campaigns criticizing Confucius and others and factionalism plaguing industry and lower-level government. However, one provincial report hinted that the target of the national fifth five year plan¹ (January, 1976-December, 1980) is to double China's industrial production by 1980—increasing annual industrial production by 15 percent to achieve this goal. Compared with the goal of the fourth plan, this new plan can be considered very ambitious.

The Chinese industrial sector has grown at a fairly rapid,² though erratic, rate during the past 20-odd years. The average annual rate of growth was estimated to be around 13 percent for the period 1949-1974 and 11 percent for the periods 1952-1974 and 1967-1974. However, the growth rate in agricultural production, especially foodgrains, was much slower. Western sources set the Chinese foodgrains output³

at 108 million metric tons (MMT) for 1949 and at 255-260 MMT for 1974. Thus the average annual growth rate came to 3.5-3.6 percent for the period 1949-1974. However the growth rate in foodgrains output has slowed substantially since 1967. It is estimated to be 1.49-1.76 percent annually for the period 1967-1974 and 1.21-1.75 percent for 1971-1974. (The average annual growth rate of total agricultural production was 3.91 percent, 1.97 percent and 1.74 percent respectively for the periods 1949-1974, 1967-1974, and 1971-1974.)

Although an increase in the growth rate of agricultural production depends on the rapid growth of industrial outputs that provide inputs for the agricultural sector, the increase in the industrial production growth rate, in turn, depends a great deal on the growth of agricultural production. The Chinese planners are well aware of this relationship. Light industry, which not only sets the standards of living for the Chinese population but also generates capital to finance the expansion of heavy industry, is still heavily dependent on the flow of agricultural raw materials. Rising export earnings are needed to finance the growing import of plants, machinery and raw materials, and the bulk of export is still made up of agricultural products and manufactured goods associated with agricultural products.

To meet the ambitious goal of raising industrial output by 15 percent annually during this new plan period, foodgrains output must also grow at an annual rate of 3.0 percent or more (agricultural production, 3.5-4.0 percent). However, the Western estimates of foodgrains output growth rate of 1.21-1.75 percent for 1971-1974 implies that the growth of foodgrains output has fallen behind the growth of population, which is thought to be slightly below the rate of 2.0 percent. One might very well gather from these figures that Chinese foodgrains output (or agricultural production) has reached a plateau and that the

¹ Bill Kraitzer, "Economy," *Far Eastern Economic Review*, October 3, 1975, pp. 5-7.

² Robert Michael Field, "Civilian Industrial Production in the People's Republic of China," *China: A Reassessment of the Economy*, Joint Economic Committee of Congress (Washington, D.C.: Government Printing Office, July 10, 1975), p. 150.

³ Arthur G. Ashbrook, Jr., "China: Economic Review: 1975," in *ibid.*, pp. 328-29; Dwight H. Perkins, "Constraints Influencing China's Agricultural Performance," *ibid.*, p. 351.

agricultural sector will be an impediment to the goal of achieving the 15 percent annual growth rate of industrial production during 1976–1980. Thus the crucial question remains: “what is the prospect of Chinese foodgrains output (agricultural production) during 1976–1980? Will it be a drag or a boost for the attainment of a 15 percent annual growth rate in industrial production?”

The task of assessing the prospect of Chinese foodgrains performance during 1976–1980 is difficult, because of the lack of statistical information. However, information now available suggests that the Chinese foodgrains output has not reached a plateau and that the sources of output expansion are growing stronger. Consequently, the foodgrains sector may be able to grow at an annual rate of 3.0 percent and may facilitate rather than impede the task of raising industrial production by 15 percent annually during this plan period.

A new foodgrains output figure released by senior officials of the Ministry of Agriculture in Peking to Neville Maxwell⁴ in late 1975 revealed that total foodgrains output in 1974 was close to 275 MMT. This new output figure suggests an annual growth rate of about 3.78 percent for 1971–1974, compared with the Western estimated growth rate of 1.21–1.74 percent (based on an output figure of 255–260 MMT for 1974). This 3.78 percent rate indicates that the growth rate in agriculture in recent years has exceeded the population growth rate, and that production has not reached a plateau but is continuing to grow at a fairly rapid rate. In view of the Western estimated growth rate of 1.21–1.74 percent, which suggests that the population has increased much faster than the foodgrains output in recent years, serious food shortage should have occurred during the past few years even if net import of foodgrains is being taken into account. However, during the past few years, evidence observed by visitors in the Chinese cities and countryside give a picture of adequate food supplies. This author also gained the impression during his visit to China in 1975 that people continue to look well fed and food supplies appear to be adequate. His travel in the countryside saw many newly built granaries in a number of provinces. In his extensive travels in the Chinese countryside during the past few years, Neville Maxwell also reported numerous granaries being extended in different provinces. This indicates an increase in the country's grain reserves in recent years.

The Chinese official grain output figure for 1974

is likely to be accepted by China watchers as plausible. If so, the momentum of increase in output growth rate must have continued even during the past five to six years, only temporarily set back by the very poor weather in 1972–1973. Therefore, during the past few years, output has probably increased along a fluctuated course rather than along a smooth upward trend. During the years of 1972–1973, various parts of the world, including the United States, were affected by poor weather. The Soviet Union suffered agricultural set-backs for several years in succession. But during this period Chinese agriculture withstood poor weather assaults better than it did in the grim period from 1959 to 1961. China also fared better than a number of Asian and African countries, which suffered widespread famine during 1973–1974. If China had not expended a great deal of effort to build a firm foundation for the agricultural sector during the past 15 years, she might likewise have suffered a severe food shortage or famine during 1972–1974. If 1975–1976 marks the last year in the current cycle of poor weather, then China's required annual growth rate of 3.0 percent or higher in foodgrains output may very well be attained during 1976–1980.

China's efforts to expand the agricultural sector during the last 15 years and in the foreseeable future are reflected in a number of policies adopted, concrete actions taken, and results. A crucial step in making a firm decision to undergo a technical transformation in Chinese agriculture was taken in September, 1962, at the tenth plenary session of the eighth central committee of the Chinese Communist party. The new policy was reflected in the slogan: “take agriculture as the foundation and industry as the leading factor.” This 1962 decision⁵ was a watershed in the history of Chinese agricultural development. Before 1962, the basic policy in rural China was to move from private ownership to a suitable system of collective ownership. The 1962 decision changed the main emphasis from social transformation to technical transformation.

Since the adoption of this policy, the machine-building industry has given the agricultural sector an increasing supply of modern inputs for farming. The tempo has accelerated since 1966. During the past several years, more emphasis has been placed on developing small industries in rural areas that could supply producers' goods and consumers' goods. In the meantime, price adjustments to give increased priority to agriculture were made in 1971. The price of chemical fertilizers was reduced around 10 percent; farm insecticides, 15 percent; kerosene, 21 percent; diesel oil, 10 percent; and a number of farm implements and machinery, an average of 16 percent. On the other hand, the state purchase price was raised by 15 percent for sugar cane and an average 17 per-

⁴ Neville Maxwell, “Increased Grain Production in China,” *The New York Times*, December 26, 1975, p. 31C.

⁵ Benedict Stavis, *Making Green Revolution, The Politics of Agricultural Development in China*, Rural Development Monograph no. 1, Rural Development Committee, Cornell University, 1974 & 1975, pp. 95–108.

cent for peanuts, sesame, rapeseed and oil crops.⁶ In recent years, the earning system for individuals in communes has also been somewhat modified, so that higher remuneration would go more consistently to peasants who produce more.

Before 1962, and especially before 1949, the Chinese agricultural sector was operated within the framework of traditional agriculture. There was a lack of supplies of modern agricultural inputs; agrotechnical services were few; there was no adequate network of farming education and credit systems in rural areas. The technical transformation of the past 15 years extended the modern portion of farming to over one-fourth of China's agriculture by 1974.

WATER CONTROL

Water control has always been the key to agricultural modernization in China. Drought, flooding, and waterlogging have historically threatened crops even in more productive agricultural regions. The efficiency with which other modern inputs—chemical fertilizers, insecticides and high-yield seeds—can be used is largely determined by water. Vast amounts of labor have been mobilized in the past decades, especially in winter seasons, to construct dikes, drainage projects, irrigation canals, and so on. Before 1970, these water control projects were concentrated in the high stable-yield areas and contributed greatly to increasing and stabilizing yields in areas that were located for the most part outside North China. Since 1970, water control projects have included the maintenance and extension of old facilities, the digging of large drainage canals in the North China plain, and an upsurge in the supply of pumping equipment for many new deep wells in North China. Before 1970, North China lagged behind other regions in the increased yield per hectare. The completion of labor intensive projects increased and stabilized the yields in North China. In the past, some of these projects were thought to be ineffective, but the availability of petroleum fuel and deep well pumps has increased the potential of producing foodgrains in North China. The new Chinese foodgrains output figure of 275 MMT for 1974 may reflect the progress made in North China in recent years.

China reported that by 1974 a total of 1.3 million wells had been sunk, capable of irrigating 7.3 million hectares of farm land. By comparison, around 100,-

000 wells were in operation in 1965. The horsepower of mechanical irrigation in various parts of China has risen rapidly from 8.6 million in 1965 to 12 million in 1971, with a sharp rise to 30 million⁷ in 1974. The area irrigated and/or drained by pumps increased from 6.6 million hectares in 1965 to around 33 million hectares⁸ in 1974 (about 30 percent of the cultivated areas). During his trip to the Chinese countryside in the summer of 1975, this author saw well-established, extensive irrigation networks and numerous pumping facilities. Although he already knew of the Chinese efforts to increase water control programs, the effort actually being expended on this vital program was, to his surprise, greater than he had expected.

A month-long national conference on "Learning from Tachai in Agriculture" was held in September-October, 1975. Most dominant figures in the party and the government turned out for the opening and closing sessions, a turnout that highlighted China's continued commitment to the principle of "taking agriculture as the foundation" in national economic development. The nationwide schedule for the establishment of Tachai-type counties called for a steady pace. By 1980, when the current five year plan ends, at least one-third of China's 2,130 counties should be of the Tachai-type.⁹ Tachai was once a very poor mountain village in Shansi province. However, by years of hard work and reliance on its own efforts, it transformed itself into a prosperous, ideologically correct brigade. Currently, there are 300 counties that are outstanding in learning from Tachai. To meet the 2,130-county goal, an average of 100 new Tachai-type counties will have to be established annually in the next five years. One of the criteria¹⁰ for a Tachai-type county is "speedy and substantial results in farmland capital construction, mechanization of agriculture and of scientific farming."

If semi-mechanization can be achieved, a great deal of manpower can be released for those crops that require intensive cultivation and for farmland capital construction projects. During the past few years, about 60 million people¹¹ took part in such water control and soil improvement projects each year during the slack winter period. The attainment of semi-mechanization may allow a maximum of approximately 90 million people to participate in such projects. This dramatic increase in productive manpower would amount to a revolution in itself. To a considerable extent, the massive demands of mechanization will be met by the further rapid expansion of rural industrial enterprises.

The other objective adopted by the conference was the achievement without delay of the goals laid down by the National Agricultural Development Program, a development plan that was approved by the

⁶ *Current Scene*, April 10, 1972, pp. 16-17.

⁷ Alva Lewis Erisman, "China: Agriculture in the 1970's," *China: A Reassessment of the Economy*, pp. 335-7.

⁸ Benedict Stavis, *ibid.*, p. 276.

⁹ Fox Butterfield, "China's New Farm Drive Seen as Biggest Since the 1950's," *The New York Times*, January 5, 1976, p. 12C.

¹⁰ *Current Scene*, December, 1975, pp. 12-14.

¹¹ Nung Wei, "Special Report: China's Progress in Agriculture," *Economic Reporter*, January-March, 1976, pp. 2-3.

National People's Congress in April, 1960, and was to be fulfilled originally by 1967. The National Program called for doubling Chinese foodgrains output between 1955 and 1967. According to the program,¹² using 1955 yields as a base, foodgrains output should increase in the northern region from 1.1 MT per hectare to 3.0 MT; in the central region, from 1.6 MT per hectare to 3.7 MT; and in the rich southern region, from 3.0 MT to 6.0 MT. The program likewise called for the development of industrial crops, particularly cotton, the output of which was to reach 0.75 MT per hectare, roughly three times the 1955 average for the whole country.

As of 1974–1975 five major administrative units have already surpassed these goals, and another 12 are approaching their targets. The remaining 12 provinces must exert great effort to reach these goals that were to have been completed in 1967. If one-third of China's counties were to reach the current production level of Hsiyang County, the model county in which Tachai is located, the foodgrains output should reach 350 to 360 MMT¹³ by 1980 (about doubling the 1955 output of 175 MMT). Taking the foodgrains output in 1974 as 275 MMT, the annual growth rate for 1974–1980 would have to be a fairly high one, 4.08–4.34 percent. This anticipated growth rate is significantly higher than the rate of 3.0 percent or more required to support the 15 percent annual growth rate of industrial production for 1976–1980. Judging from this anticipated high rate of growth, Chinese planners must be fairly confident that during the next few years the agricultural sector will grow at a faster rate than it did during the last few years.

Before 1949, the amount of chemical fertilizers used was negligible. Plant nutrients were all supplied from organic sources. The production of chemical fertilizers was only 134,000 metric tons (in gross weight) in 1952 and was still under a million tons in 1957. According to Chinese official estimates, China's total fertilizer needs are 60 to 70 million metric tons (MMT) a year. The agricultural first policy adopted in 1961 boosted the output rapidly to 6.9 MMT in 1964. The improvement in the technique of producing fertilizers from small plants helped to raise the output further to 14.0 MMT in 1970. By the early 1970's, a technical breakthrough enabled small plants to utilize lignite or even coal dust instead of coke as the raw materials. Since low grade coal and coal dust are not only much cheaper but are also available in most parts of the

country, a crash program of constructing small plants with the new technique was carried out throughout the country. By 1974, the output¹⁴ from both large and small plants reached 30.0 MMT, with small plants producing about 45 percent of the total output. Thus, China's long-term growth rate in chemical fertilizers has been phenomenal.

Chemical fertilizers produced from the small plants, however, contain lower nutrient content per unit weight than imported fertilizers or fertilizers produced from large domestic plants. In addition, the bulk of domestic fertilizer output contains only one nutrient; this creates a problem for the peasants of mixing two or three types of nutrients in the right proportions. In addition, when exposed to the weather or being stored, fertilizers produced by the small plants disintegrate more rapidly than the fertilizers produced in large plants. The production and distribution of fertilizers from small plants must be adjusted closely to the seasonal demands of farming. Therefore, fertilizers from small plants are helpful to crop production but are much less effective for modern agricultural practices.

Aware of these problems, 1973–1974 Chinese leaders contracted to purchase from the United States and other nations 13 very large ammonia plants and 13 matching plants for making urea. The construction and installation of these plants, which use petroleum as a raw material, will be completed during 1976–1978. When they are in full operation, their gross output will be 18.5 MMT of ammonium sulphate equivalent. In terms of plant nutrients, they will add a capacity of 4.8 MMT of synthetic ammonia. Because of the low nutrient content of the output from small plants, the domestic output of 30 MMT in 1974 may only provide 5.0–5.5 MMT of plant nutrients. In terms of gross fertilizer, imported plants will increase the total 1974 plant capacity by 62 percent, but in terms of plant nutrients they will increase the capacity by as much as 87–96 percent.

In view of the large-scale import of foreign plants, it is difficult to assess their effect on the domestic program of building new fertilizer plants (large and small) for the next few years. Judging from the goals of the National Conference on Learning from Tachai, domestic construction of new plants will not be scaled down. Even if the domestic construction program is scaled down somewhat during the next few years, China's growing chemical fertilizer capacity should

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Kuan-I Chen has taught at Talledega College and Fairleigh Dickinson University. Among his various publications are *World Population Growth and Living Standard* (New York: Bookman Associates, 1960), and, as coauthor, *China and India: A Comparative Development* (New York: Free Press, 1971).

¹² Leo Goodstadt, "A Forceful Message to Rural China," *Far East Economic Review*, November 7, 1975, pp. 42, 45.

¹³ Butterfield, *op. cit.*

¹⁴ Kang Chao, "The Production and Application of Chemical Fertilizers in China," *The China Quarterly*, December, 1975, pp. 712–29.

"What is the prospect for Sino-American trade? China needs American grain, raw cotton and capital goods. . . . Barring a major breakthrough in her agricultural production, China will most likely continue to import grain. . . . In addition, China must rely on the United States to supply some . . . sophisticated capital goods. . . ."

China's Foreign Trade

BY S. H. CHOU

Professor of Economics, University of Pittsburgh

LIKE OTHER socialist countries,¹ the People's Republic of China considers foreign trade as a segment of her general economic plan.* She imports only what is needed for the implementation of the general economic plan and exports to finance her imports. Despite the obvious comparative advantages of importing instead of producing some of the needed products and despite the rapid expansion in foreign trade in recent years, self-reliance with a minimum dependence on foreign supplies for "strategic" needs (including economic as well as military needs) remains the basis of China's foreign trade policy.

Following the usual socialist model, China's foreign trade has been a government monopoly. Chinese enterprises can have access to foreign markets only through designated state agencies.

Another feature of China's trade system is the divorce of domestic prices from those of the world market. While world prices are usually applicable to China's international transactions, they are not always used as the basis of domestic transactions. Domestic prices are determined in the framework of

general economic plans and are not always related to the prices of imports and exports. Losses or gains resulting from the price differentials are absorbed by the government.

Since the government does not publish China's trade statistics, much of this discussion of trade is based on the reports of China's trading partners. While these reports do not always provide all the information relating to the Chinese trade, they demonstrate general trends.²

The direction of Chinese trade since 1950 involves problems relating to the choice of trade partners and the balance of trade. The former often has political as well as economic implications. Because of trade and exchange restrictions, since World War II balancing the trade account has been a more complicated operation than it was in the pre-war era. It requires a network of bilateral and multilateral trade arrangements for earning enough foreign exchange not only to cover all imports, but also to balance incomes and outlays in different currency groups.

The examination of the commodity composition of imports and exports should demonstrate the contribution of agriculture to development through trade, changes in the level of a country's industrialization, and the government policy relating to civilian consumption.

China's trade partners fall into two groups: the socialist countries, which include the Soviet Union and countries in East Europe, and non-Communist countries.

The socialist countries (particularly the Soviet Union) dominated China's foreign trade during the early 1950's. In those years they accounted for more than two-thirds of China's total trade. This trend, however, was reversed after China's split with the Soviet Union in the early 1960's. The share of Communist countries has since dropped; it dwindled to less than one-fourth of the total by the early 1970's.

* This paper is part of a broader study of the centrally planned economy of China that Professor Janet Chapman and I have been undertaking. I am indebted to Drs. Chapman, Nai-Ruenn Chen, and Richard Yin for their helpful comments. However, I alone am responsible for errors and imperfections.

¹ Marie Lavigne, *The Socialist Economy of the Soviet Union and Europe*, translated from the French by T. G. Waywell (White Plains, N.Y.: International Arts & Sciences Press, Inc., 1974), ch. 8; D. Holzman, "East-West Trade and Investment Policy Issues: Past and Future," in U.S. Congress Joint Economic Committee, *Soviet Economic Prospects for the Seventies* (Washington, D.C.: U.S. Government Printing Office, 1973), pp. 660-689.

² One complication involved in using reports of trade partners is the adjustment for shipping costs. This problem is discussed in detail in Janet Chapman and S. H. Chou, *The Economies of the PRC and the USSR: A Comparative View* (unpublished manuscript), ch. 7.

From 1950 to the early 1960's, the Soviet Union was China's main trade partner, accounting for the bulk of China's trade with the socialist countries. In terms of trade balance, the Sino-Soviet trade relationship since 1950 falls into three stages. In the first stage, extending from 1950 through 1955, the total value of Chinese imports from the Soviet Union invariably exceeded the value of her exports to the Soviet Union. The import surplus of these years, amounting to about \$888 million (see Table 4) was presumably financed by Soviet credits, of which about \$1.3 billion–\$1.4 billion were reported to have been granted during that period. Soviet exports included military supplies as well as capital goods for industrial development in mainland China.

In the second stage, extending from 1956 through 1964, China's exports to the U.S.S.R. exceeded her imports by about \$1.3 billion, which presumably were used for repaying the Soviet credits received in the earlier years. The third stage covers the years after 1965. During this period, trade between the two countries was sharply curtailed, with no substantial deficits or surpluses in the trade account. The volume of Sino-Soviet trade showed some recovery during 1971–1974, but the annual average still amounted to a small fraction of the average of the 1950's.

Like the pattern of Sino-Soviet trade, the volume of China's trade with East European countries was high in the 1950's and decreased in the 1960's. Unlike the Soviet case, however, trade between China and East Europe surged during 1972–1974, with the annual average actually surpassing that of the 1950's. Recent expansion in China's trade with Albania and Romania has been an important factor in the surge. As a result of this expansion, the percentage share of East European countries surpassed in the early 1970's the share of the Soviet Union.³

Among the non-Communist countries, five groups of China's trade partners deserve special attention. They are 1) Hong Kong, Singapore and Malaysia (including Malaya and Sabah); 2) West Europe; 3) Australia, Canada and Argentina; 4) Japan; and 5) the United States.

Hong Kong accounted for 3.3 percent and 6.5 percent of China's trade in 1959 and 1974, respectively.⁴ The importance of the Hong Kong trade, however, is reflected not in these percentage shares, but in the

magnitude of net Chinese exports to the British colony. During the pre-1950 era, the balance of trade with China was usually in favor of Hong Kong. This trend continued in the early 1950's. Since 1952, the trade balance has become invariably favorable to the Chinese mainland. The ratio of the value of Chinese exports to Hong Kong to that of the mainland's imports from Hong Kong rose steadily from two to one during 1953–1954 to about ten to one in 1959–1960, about thirty to one in the mid-1960's and more than forty to one since the late 1960's. In recent years China's earnings from these excess exports to Hong Kong, plus the non-trade remittances through the colony, amounted to more than \$1 billion annually.⁵ This, together with the earnings from trade with Singapore and Malaysia, has become a major source of China's foreign exchange earnings, which are used for financing her grain and capital goods imports from abroad.

The increase in the Hong Kong trade surplus since 1952 was a result of the sharp curtailment of machinery, chemical and other manufactured imports via Hong Kong, which had dominated the China-Hong Kong trade before 1950, and a substantial expansion of Chinese food and manufactured exports to Hong Kong. The expansion of shipments to Hong Kong resulted partly from the growth of Hong Kong's population from about 500,000 in the late 1940's to more than 4,000,000 in the 1970's. Economic prosperity, which Hong Kong has experienced since 1950, also accentuated the demand for food and other consumer goods from the mainland. The preference of the Chinese, who constitute the bulk of Hong Kong's population, for fresh meat, seafood, vegetables and dairy products has made the People's Republic a sole or dominant supplier of many products in the Hong Kong market. These large trade surpluses are particularly valuable to China because of the ready convertibility of the Hong Kong currency.

To some extent, the Hong Kong policy has also been applied to Singapore and Malaysia because these two countries also have a large Chinese population. There are, however, important differences between China's trade with Singapore and Malaysia and her trade with Hong Kong. Earnings derived from exports to Singapore and Malaysia are not readily convertible to currencies other than the pound sterling or sterling-related currencies. Moreover, China has been importing a large quantity of natural rubber from these two countries. Consequently, both the volume of China's trade with these countries and the trade surpluses have been considerably below the Hong Kong level (see Tables 1–4).

China's trade with West Europe falls into four stages. In the first stage, which spanned the years 1950–1954, China began to establish her contacts with West Europe while relying mainly upon the Soviet

³ Based on data given in United Nations, *Yearbook of International Trade Statistics*, various years; and Central Intelligence Agency, *People's Republic of China: International Trade Handbook* (Washington, D.C.: U.S. Government Printing Office, 1972 and 1975).

⁴ Nai-Ruenn Chen, "China's Foreign Trade, 1950–1974," in U.S. Congress, Joint Economic Committee, *China: A Re-assessment of the Economy* (Washington, D.C.: U.S. Government Printing Office, 1974), p. 631.

⁵ Based on *Hong Kong Trade Statistics*, Commerce and Industry Department, Hong Kong, issues of December, 1955 through 1974.

TABLE 1: IMPORTS TO CHINA
(in million U.S. dollars)

Trade Partner	1950-1954	1955-1960	1961-1965	1966-1970	1971	1972	1973	1974
COMMUNIST COUNTRIES		(annual average)						
U.S.S.R.	575.1	738.5	223.0	67.0	80	121	136	143
East Europe ^(a)	incomplete data	296.1	98.0	138.0	185	265	300	320
NON-COMMUNIST COUNTRIES								
West Europe ^(b)	80.2	297.0	229.9	616.0	575	605	1030	1355
Canada, Australia, Argentina	negligible	24.6	344.9	284.2	242	348	535	975
Hong Kong	112.0	24.2	13.9	2.2	3	4	9	19
Malaysia & Singapore ^(c)	16.1	24.1	10.9	119.9	35	45	140	145
Japan	0	14.2	113.4	307.7	607	640	1089	2086
United States	0	0	0	0	0	79	812	949
TOTAL IMPORTS^(d)	1054	1750	1431	1975	2305	2835	5130	7490
From Communist countries	644	1157	508	373	500	535	710	955
From non-Communist countries	410	593	923	1602	1805	2300	4420	6535

NOTES AND SOURCES FOR TABLE 1

- Notes: ^(a) Including Albania, Romania, Poland, Czechoslovakia, Hungary, Bulgaria and East Germany.
^(b) Including the United Kingdom, Belgium, Luxemburg, France, West Germany, Italy, Netherlands, Austria, Denmark, Norway, Sweden, Switzerland, Finland, Ireland, Spain, Turkey and Yugoslavia.
^(c) Figures for 1955-56 include Sarawak and Sabah, as well as Singapore and Malaya.
^(d) Total imports include also China's imports from countries other than listed in this table. Similar coverages are used for total exports in Table 2, total trade in Table 3, and total surplus or deficit in Table 4. Because of rounding, components need not add to totals.
- Sources: Food and Agriculture Organization, *Production Yearbook*, issues for 1959 through 1971.
Food and Agriculture Organization, *Trade Yearbook*, issues for 1959 through 1971.
Foreign Trade of the USSR (Statistical Survey), 1955-1964, translated by U.S. Joint Publications Research Service (Washington, D.C.).
Hong Kong Trade Statistics: Export (Hong Kong: Commerce and Industry Department), December issues, 1955 through 1973.
Organization for Economic Cooperation and Development, *Foreign Trade Series C. Trade by Commodities*, 1959 through 1964.
United Nations, *Yearbook of International Trade Statistics*, 1955-1960.
Central Intelligence Agency, *People's Republic of China: International Trade Handbook* for 1972 and 1975, Government Printing Office, Washington, D.C.

bloc for trade. In this period, after the conclusion of the Korean War and the stabilization of her domestic economy, China launched the first five year plan. To finance imports essential to her industrialization, China made a special effort to augment her foreign exchange by expanding exports. In fact, in this period trade balances with West European countries were mostly in favor of China. During this period, China's exports to West Europe amounted to \$479 million, while she received only \$401 million of imports from that region (see Tables 1 and 2).

The second stage spanned the years 1955-1960, in a period of rapid industrial development in China. Industrialization generated an urgent demand for steel products, chemical fertilizers, machinery and other equipment from West Europe. Consequently, during this period Chinese imports from West Europe rose to a total of \$1,782 million, while her total exports to these countries amounted to only \$1,115 million. These trade deficits, amounting to more than \$667 million over the six-year period, were met

primarily by excess exports to Hong Kong, Malaysia and Singapore, which amounted to more than \$1 billion (see Table 4). As a whole, the volume of trade between China and West Europe in this period was substantially larger than the volume in the first period (see Table 3).

During the third period (i.e., the years 1961-1965), the fiasco of the Great Leap Forward and recurrent food crises led to drastic revisions of China's trade policy. One revision was the import of grain (mainly wheat) from Canada, Australia, and Argentina. To finance food imports, China had to slow the tempo of her industrialization and curtail her industrial imports. Accordingly, her imports from West Europe, consisting mainly of capital goods, were reduced to an annual average of \$230 million from an average of about \$297 million in the previous period. The annual rate of China's exports to West Europe, on the other hand, rose from about \$186 million in the earlier stage to \$208 million (see Tables 1 and 2). Consequently, the excess imports from West Europe were

TABLE 2: EXPORTS FROM CHINA
(in million U.S. dollars)

Trade Partner	1950-1954	1955-1960	1961-1965	1966-1968	1971	1972	1973	1974
COMMUNIST COUNTRIES								
	(annual average)							
U.S.S.R.	397.4	829.3	404.1	57.0	75	134	136	139
East Europe ^(a)	incomplete data	282.7	134.0	137.0	190	230	305	320
NON-COMMUNIST COUNTRIES								
West Europe ^(b)	95.9	185.8	208.2	349.0	410	460	665	825
Canada, Australia, Argentina	negligible	32.2	23.7	56.4	70	104	139	183
Hong Kong	143.3	195.0	265.7	331.6	428	509	784	876
Malaysia & Singapore ^(c)	32.7	53.4	92.4	139.0	150	190	355	450
Japan	0	54.8	96.2	256.4	322	468	918	825
United States	-- negligible --				5	32	64	115
TOTAL EXPORTS^(d)	875	1793	1681	2036	2415	3085	4960	6515
To Communist countries	543	1218	812	508	585	740	1000	1345
To non-Communist countries	332	574	869	1528	1830	2345	3960	5170

Notes and sources: See those of Table 1.

reduced to an annual average of \$22 million, or about one-sixth of the deficit of the previous period (see Table 4).

The fourth stage began in 1966. During 1966-1970, the average annual imports from West Europe exceeded \$600 million. This was about double the averages of 1955-1960 and 1961-1965. In 1973 and 1974, this average went beyond the billion dollar level. These import expansions obviously reflect the acceleration of China's industrial growth after the Cultural Revolution. In the same period, China's exports to West Europe also grew to match these import expansions (see Tables 1 and 2). The expansion of China's trade with West Europe in the 1960's was made possible, or necessary, by the sharp reduction of trade with the Soviet Union in these years.

Despite recent expansion in the volume of trade, the share of West European countries in China's total trade declined from about 25 percent in the late 1960's to 17 percent in 1973 and 16 percent in 1974.⁶

Canada and Australia have been leaders in the third group of China's trade partners outside the Soviet bloc. Up to 1960, the volume of trade between China and these countries was small. After 1961, however, they emerged as the leading grain suppliers of the mainland, with annual shipments for the group ranging in value from \$300 million to \$400 million.⁷ At the same time, the demand of these countries for Chinese exports was limited. Consequently, China's food purchases had to be financed by trade surpluses with other countries. During 1961-1974, China's imports from Canada, Australia

and Argentina exceeded her exports to them by about \$4.0 billion (see Table 4). In recent years, possibly because of her diplomatic relations with China, Canada has been China's leading supplier of wheat. Since 1972, China's grain market has also been shared by the United States.

Japan represents the fourth group of China's trade partners among the non-Communist countries. In this analysis, Japan is separated from other non-Communist countries because of her special importance to China's foreign trade. A leading trade partner of China before World War II, Japan has regained her importance since the mid-1960's. During 1966-1970, the annual total trade between Japan and China (including both imports and exports) averaged \$655 million annually. Since the late 1960's, Japan has been China's leading trade partner, with total trade volume exceeding that of any other trade partners of the Chinese mainland. The total trade exceeded \$1 billion in 1972, \$2 billion in 1973 and \$3.3 billion in 1974 (see Table 3).

Japan has been commercially important to the People's Republic because she can not only supply many of the producer goods essential to the mainland's industrialization but has a ready market for exports from China. Until 1969, the problem of trade balance between these two countries was far less serious than the problem confronting China in her trade with West Europe (in the 1960's) and the grain-supplying countries. Since 1969, however, China's trade deficit with Japan has increased sharply, reaching an annual average of about \$142 million during 1966-1970, and a record high of \$845 million in 1974.

Prior to 1972, the volume of United States-China

⁶ Chen, *op. cit.*, p. 634.

⁷ Based on statistics given in *FAO Trade Yearbook*, various issues.

TABLE 3: TOTAL TRADE OF CHINA
(in million U.S. dollars)

Trade Partner	1950-1954	1955-1960	1961-1965	1966-1970	1971	1972	1973	1974
COMMUNIST COUNTRIES								
	(annual average)							
U.S.S.R.	972.5	1567.8	627.1	124.0	155	255	272	282
	incomplete							
East Europe ^(a)	data	578.9	231.9	275.0	375	495	605	640
NON-COMMUNIST COUNTRIES								
West Europe ^(b)	176.1	482.8	438.1	965.0	985	1065	1695	2180
Canada, Australia,								
Argentina	negligible	56.8	368.5	340.4	132	452	674	1158
Hong Kong	255.4	219.2	279.6	333.8	431	513	793	895
Malaysia & Singapore ^(c)	48.7	77.5	103.3	258.9	185	235	495	595
Japan	0	69.1	209.6	655.2	929	1108	2007	3327
United States		-- negligible --			5	111	876	1064
TOTAL TRADE^(d)	1929	3543	3114	4011	4720	5920	10090	14005
With Communist countries	1186	2375	1322	881	1085	1275	1710	2300
With non-Communist countries	742	1168	1792	3130	3635	4645	8380	11705

Notes and sources: See those of Table 1.

trade was negligible. In 1972, Chinese imports from the United States rose sharply to \$79 million while China exported only \$32 million to the United States. The value of these imports, led by farm products, rose to \$876 million in 1973 and about \$1 billion in 1974. The trade volume, however, dropped in 1975. Chinese exports to the United States in 1973 and 1974 amounted to less than one-tenth of her imports from the United States.⁸ This unbalanced situation will probably continue in 1975 and 1976.

Until 1972, the account of China's trade with non-Communist countries was not too far from being balanced. The deficit, however, rose sharply to \$460 million in 1973 and to about \$1.4 billion in 1974. It is obvious that China's exports to the West, particularly to the United States, West Europe, Japan and Canada, will have to be expanded if the surge of her imports from the West continues.

This conclusion leads to several important observations. First, the political conflict between China and the Soviet Union in the 1960's had a very significant effect on the pattern of trade between the two countries. During 1955-1960, the volume of China's trade with the Communist countries was twice as large as the volume of trade with the non-Communist countries. In the early 1970's, the corresponding ratio was about five to one in favor of the non-Communist countries (see Table 3).

⁸ Edward Neilan and Charles R. Smith, *The Future of the China Market: Prospects for Sino-American Trade* (Washington, D.C.: American Enterprise Institute for Public Policy Research, 1974), Appendix A. Also *The New York Times*, June 4, 1974, pp. 1 and 9; and Organization for European Cooperation and Development (OECD), *Trade by Commodities*, issues of January-December, 1972 and 1973.

Second, up to 1972, China had no problem in balancing her trade account (see Table 4). In balancing the accounts with the non-Communist countries, China relied heavily upon expanding the surpluses from her trade with Hong Kong, Malaysia and Singapore to cover her excess imports from West Europe, Japan, and other developed nations. When grain imports from Australia and Canada expanded during the 1960's, industrial imports from West Europe were accordingly curtailed. After 1965, the curtailment of her exports to the Soviet Union enabled China to increase her trade with the non-Communist world, and to expand her imports of capital goods from the West above the pre-1960 level, while maintaining her wheat imports at a high level. The recent expansion of China's industrial imports from Japan, West Europe and the United States was made possible partly by corresponding expansion in China's exports to Japan and West Europe.

Third, while excess exports to Hong Kong, Singapore, and Malaysia continued to play a key role in balancing China's trade account, the growth of these surpluses failed to keep pace with the trade with the industrialized countries. If the future expansion of these trade surpluses has to slow down, alternative sources of finance will have to be developed to meet China's rising industrial imports. One alternative will be the expansion of China's exports to countries
(Continued on page 84)

S. H. Chou is the author of *The Chinese Inflation, 1937-1949* (New York: Columbia University Press, 1963) and, with Janet Chapman, of the forthcoming book, *Economies of the Soviet Union and People's Republic of China: A Comparative View*.

"As of mid-1976, the energy supply picture for the People's Republic of China appears bright. . . . But the long-term prospects of China as a major energy exporter remain obscure."

China's Energy Resources

BY CHU-YUAN CHENG

Professor of Economics, Ball State University

CHINA IS ONE of the few major countries in the world to have weathered the recent world-wide energy crisis virtually unscathed. In large part, China's relative immunity to soaring energy prices can be attributed to the strenuous efforts of the People's Republic to achieve self-sufficiency in energy supplies since the 1949 revolution. By 1974, China ranked third in the world as a coal producer and thirteenth as an oil producer. As Peking has embarked on an ambitious program to become a major oil exporter, China's relative importance in world energy markets will probably increase significantly in the 1980's.

Despite substantial advances in energy production, however, China's teeming millions still rank among the lowest in the world in per capita energy consumption. Moreover, the rapid expansion and concomitant investment in the petroleum industry have been partially at the expense of the coal industry—the mainstay of China's energy supply. Indeed, the languishing coal industry is a strong factor in the decline of China's average annual growth rate in total energy supplies. The trends of the past few decades, however, suggest that oil will probably become China's major source of energy in the long run.

THE RESOURCE BASE

Prior to 1949, geologists regarded China as a country with vast coal reserves, but generally deficient in

petroleum resources. *The General Statement on the Mining Industry*, issued by the Geological Survey of China in 1935, estimated China's total coal reserves in 1934 at 243,669 million metric tons. In 1947, the figure was officially revised upward to 444,067 million metric tons.¹ After the establishment of the new government in 1949, extensive geological surveys were conducted, resulting in continuous upward revision of coal reserve figures, from 1,500 billion metric tons in 1955 to 9,000 billion metric tons in the Great Leap year of 1958. However, there is little detailed evidence to support the rapid increase in coal reserves. All these figures apparently refer to possible reserves not proven and probable reserves. After the dust of the Great Leap settled, the State Statistical Bureau, in 1960, published its *Ten Great Years*, estimating the volume of proven coal reserves at the end of 1958 at only "over 80 billion tons."²

In contrast to the rich coal reserves, Western geologists long maintained that the type of rocks and their genetic age precluded the possibility of petroleum deposits worthy of exploitation throughout most of China.³ In 1949, the probable oil reserves in China were officially estimated at only 200 million tons.⁴ The Great Leap Forward Geological Prospecting and Exploration Program in 1958–1959 significantly enlarged the proven reserves. Total potential reserves in 1960 were officially estimated at 2.9 billion tons, in contrast to the 1.7 billion tons estimated for 1957.⁵ According to A. A. Meyerhoff, at the beginning of 1969, China's proved-plus-probable-plus-potential reserves of natural crude oil totaled 2.68 billion metric tons. Of this total, 182 million tons were considered as proved reserves and 777 million tons were probable reserves, for a total of 959 million tons in proved and probable.⁶

Official Chinese reports reveal that large-scale oil prospecting has been going on in many parts of China since 1966 and that many new oil and gas fields have been discovered. The most promising discovery, which has drawn worldwide attention, is the pro-

¹ Yuan-li Wu with H. C. Ling, *Economic Development and Use of Energy Resources in Communist China* (New York: Praeger, 1963), pp. 33–34.

² State Statistical Bureau, *Ten Great Years* (Peking: 1960), p. 14.

³ Chu-yuan Cheng, *China's Petroleum Industry: Output Growth and Export Potential* (New York: Praeger, 1976), p. 3.

⁴ Shih-yu K'an-t'an (Petroleum Exploration), Peking, no. 3, 1960, p. 1.

⁵ Cheng, *op. cit.*, p. 85.

⁶ A. A. Meyerhoff, "Development in Mainland China, 1949–68," *The American Association of Petroleum Geologists Bulletin*, vol. 54, no. 8 (1970), pp. 1,567–80.

TABLE 1: Estimated Production of Coal, Crude Oil, Natural Gas and Electric Power in China, 1949-1975

Year	Coal (in million metric tons)	Crude Oil (in million metric tons)	Natural Gas (in billion cubic meters)	Electric Power (in billion kilowatt hours)
1949	32.43	0.12	—	4.31
1950	42.92	0.20	—	4.55
1951	53.09	0.31	—	5.75
1952	66.49	0.44	—	7.26
1953	69.68	0.62	0.01	9.20
1954	83.66	0.79	0.01	11.00
1955	98.30	0.97	0.11	12.28
1956	110.36	1.16	0.23	16.59
1957	130.73	1.46	0.33	19.34
1958	230.00	2.26	0.94	28.00
1959	300.00	3.70	1.42	42.00
1960	280.00	5.20	1.98	47.00
1961	170.00	6.00	2.83	31.00
1962	180.00	6.70	3.27	30.00
1963	190.00	7.50	5.66	33.00
1964	204.00	8.50	10.90	36.00
1965	220.00	11.00	11.32	42.00
1966	248.00	14.00	11.01	50.00
1967	190.00	11.00	10.47	45.00
1968	205.00	15.40	11.32	50.00
1969	258.00	20.70	12.70	60.00
1970	310.00	29.10	16.00	72.00
1971	335.00	37.50	19.50	86.00
1972	356.00	45.00	24.50	93.00
1973	377.00	53.00	30.60	101.00
1974	389.00	63.00	35.00	108.00
1975	425.00	75.00	n.a.	n.a.

Sources: Coal and Electric Power are from Robert M. Field, "Civilian Industrial Production in the People's Republic of China," in U.S. Congress, Joint Economic Committee, *China: A Reassessment of the Economy*, 1975, p. 166.

Crude Oil, from Chu-yuan Cheng, *China's Petroleum Industry*, *op. cit.*, pp. 20-26.

Natural Gas, from Vaclav Smil, "Energy in China: Achievements and Prospects," *The China Quarterly*, March, 1976, p. 62.

The 1975 figure for coal is from *Current Scene*, May, 1976, p. 14.

The crude oil figure is based on a 20 percent increase over 1974 as reported in *Ta-Kung-pao* (Hong Kong), December 1, 1975.

claimed offshore reserves in the continental shelf stretching from the Yellow Sea between Korea and the Shantung Peninsula as far as Hsi-sha (Paracel) and Nan-sha (Spratley) islands in the South China Sea. If initial prospects are proved, offshore oil may represent a prodigious addition to the Chinese petroleum reserves.

Recent estimates of possible Chinese oil reserves have been revised substantially upward, generally ranging from 10 billion to 50 billion metric tons. This wide discrepancy can probably be attributed to different conceptual frames of reference. While the low figure may refer to "probable reserves," the high figure most likely denotes "possible reserves." More recently, Chinese official reports have claimed that "many high-yield wells were drilled in China during 1974. Oil-bearing structures in some areas were confirmed to be larger than heretofore known, and

promising oil and gas reserves were found in other areas."⁷ This statement tends to reinforce speculation that China may soon have the third largest oil reserves in the world.⁸

OUTPUT GROWTH AND STRUCTURAL CHANGES

The relative growth of liquid and gaseous fuels at the expense of solid fuels constituted the most striking change in China's energy sources between 1949 and 1975. Until 1975, the end of the first five year plan, 96 percent of China's primary energy was derived from coal. Oil and natural gas represented a minuscule 3 percent, with the remaining 1 percent coming from hydroelectric power. A dramatic change began in 1965, when the Taching oil field in Heilungkiang began to operate on a large-scale basis. Subsequently, the Shengli oil field in the Shantung Peninsula and the Takang oil field in the Tientsin-Peking area were opened. China's output of oil doubled between 1960 and 1965, doubled again by 1969, and by 1975 equaled 1.5 million barrels a day (75 million tons a year), which was 15 times China's 1960 output.⁹ (See table 1.)

⁷ New China News Agency, Peking, August 8, 1974.

⁸ P. Strauss, "China's New Claim," *Far Eastern Economic Review*, Hong Kong, no. 19, May 14, 1973, p. 41.

⁹ Chu-yuan Cheng, "China's Future as an Oil Exporter," *The New York Times*, Sunday, April, 1976, Section F, p. 14.

TABLE 2: Structure of Production and Consumption of Primary Energy in China 1952-1974 (converted in coal equivalents and expressed in percent)

	Production					Consumption				
	1952	1957	1965	1970	1974	1952	1957	1965	1970	1974
Coal	98	96	85	76	67	97.6	94.4	84.8	75.8	68.7
Oil	2	2	8	14	23	1.9	4.1	7.9	13.6	20.4
Natural Gas	n.a.	1	6	9	9	—	0.8	6.7	9.9	10.1
Hydro/ Electric	negl.	1	1	1	1	0.5	0.6	0.6	0.6	0.8
Total	100	100	100	100	100	100	100	100	100	100

Sources: Production figures from U.S. Central Intelligence Agency, *China Energy Balance Projects*, November, 1975, p. 4. Consumption figures from K. C. Yeh and Y. L. Wu, "Oil and Strategy," a paper presented to the Fifth Sino-American Conference on Mainland China, held in Taipei, June 10, 1976, p. 7. Original figures did not add to 100.

The rapid growth of petroleum output significantly increased the proportion of oil and natural gas in total Chinese energy production. The combined share of liquid fuels and natural gas rose from 3 percent in 1957 to 14 percent in 1965, 23 percent in 1970 and 32 percent in 1974, with a concomitantly steady decline in the relative share of coal. (See table 2.)

CHANGES IN REGIONAL DISTRIBUTION

Equally significant changes occurred in the geographic distribution of energy supply. In the pre-1949 era, most of the proven and probable coal reserves in China were located in North and Northwest China. In 1947, 67.6 percent of the coal deposits were concentrated in North China and 23.8 percent were situated in the Northwest. Together, these two geographical-administrative regions accounted for 91 percent of the proven coal deposits in Mainland China.¹⁰ They were followed by Manchuria (Northeast), Central South China, Southwest China, East China and Inner Mongolia. By 1957, the two areas of North and Northwest China still held a total of 80 percent of the nation's total coal deposits. Yet the regional distribution of production did not correspond to the distribution of deposits. By 1942, as a consequence of Japan's special interest in the economic development of Manchuria, coal production in Manchuria accounted for 37 percent of the Chinese national output.

Coal production in the 1930's and 1940's thus centered in Manchuria rather than dovetailing with the general distribution of coal deposits in China. Under the aegis of the Japanese, Manchuria became the most industrially developed area in China in

terms of heavy industry and rail transportation. Indeed, Manchuria also exported large quantities of coal to Japan during this period. This initial lead in Manchuria's industrial development carried forward into the post-World War II years; thus, three Manchurian provinces (Liaoning, Kirin, and Heilungkiang) accounted for one-fifth of the 1954 national industrial output.¹¹ However, by the 1960's, the richer veins of Manchuria's coal mines had been depleted. Consequently, mining costs per ton of coal have risen. Increased mining costs paralleled by post-revolutionary emphasis on developing the interior provinces resulted in a change in the regional distribution of coal production. Thus, in 1959, according to a Soviet source, Manchuria accounted for over one-third, North China for about one-third, East China for 16.3 percent, Southwest China for under 10 percent, Northwest China for 3.3 percent and South China for only about 1 percent, with the remaining 2.7 percent ascribed to the rest of the country, primarily Central China.¹²

The emphasis on producing coal in the Northeast (Manchuria) while the major known deposits were located in the Northwest was not paralleled in the case of the petroleum industry. Both known deposits of petroleum and production were concentrated in the Northwest area during the 1940's and 1950's. Prior to the opening of the Taching oil field in Manchuria, more than 90 percent of China's natural oil resources were concentrated in three fields in the remote desert and mountain areas of the northwest—Yumen in Kansu Province, Karamai in the Sinkiang autonomous region and Tsaidam in Tsinghai Province. These fields are more than 1,500 miles from eastern industrial and population centers. Their exploration involved very heavy overhead costs, and shipping millions of tons of crude oil from these remote areas to east coast refineries heavily taxed the resources of the only railroad serving the two regions.

The opening of the Taching, Shengli and Takang oil fields during the past decade provided new stimu-

¹⁰ Yuan-li Wu and H. C. Ling, *op. cit.*, p. 37.

¹¹ Nai-Ruenn Ch'en, *Chinese Economic Statistics, A Handbook for Mainland China* (Chicago: Aldine, 1967), pp. 214-215 and 211.

¹² Ya. M. Berger, *Kitai ekonomiko-geograficheskity* (China, An Economic Sketch), Moscow, 1959, in JPRS translation no. 6394, pp. 32-35.

lation for the Chinese petroleum industry. The development of new oil resources near the industrialized coastal areas constituted a seminal change in the geographic distribution of oil-producing facilities, resulting in sharply reduced costs of production and transportation. By 1974, crude oil turned out by Taching, Shengli and Takang accounted for more than two-thirds of the national output. This radically transformed China's oil distribution system and enabled China to become a net exporter of oil.

RECENT DEVELOPMENT IN ENERGY INDUSTRIES

Between 1952 and 1974, China's energy production grew at a 10.4 percent average annual rate, with coal and oil averaging 8.5 and 23.2 percent, respectively. Thus, the annual growth rate of energy production surpassed the 8.4 percent growth rate of industry in the same period. However, the rate of increase in energy production trended downward from 14.7 percent per annum in 1952-1957 to 9.4 percent per annum in 1957-1965, 9.2 percent per annum in 1965-1970 and 8.8 percent per annum in 1970-1974. The major cause of this descending rate of increase was apparently the diminishing productivity of the coal industry.

As shown in table 2, as late as 1974 coal still constituted 63 percent of China's energy supply. However, during the last 26 years, coal production has experienced an erratic rate of growth, trending downward from 14 percent per year in 1952-1957, to 7.8 percent per year in 1957-1965, 6.6 percent per year in 1965-1970 and only 5.6 percent per year in 1970-1974.

The declining rate of increase in coal production can be accounted for primarily by two factors: the geographic disparity between the regional demand for coal and the actual location of the coal reserves, and the relatively small investment in the coal industry over the past two decades. As noted previously, Manchuria ranked highest in regional coal production, although she possessed small regional coal reserves. In 1970, Manchuria produced 30 percent of China's total coal, while she possessed but 2.7 percent of the estimated coal reserves.¹³

Since the rich coal mines near the major metallurgical centers in southern Liaoning Province such as Penshi and Fushun have been under large-scale mining for more than half a century, the most accessible and best situated coal veins have already been depleted. Increasing the acquisition of supplies of coal for this highly industrialized region re-

quires increasing recovery costs, making it difficult to sustain the former high rates of growth.

Inadequate investment in the construction of new coal mine centers also caused the decline in coal production. Since 1960, the development priority for energy industries apparently shifted from coal to oil. Between 1953 and 1974, an estimated total of 21 billion yuan, or approximately \$9 billion, was invested in the petroleum industry.¹⁴ As the lion's share of capital was allocated to the petroleum industry, funds available for the development of the coal industry were sharply curtailed.

Although current published data with respect to the shortage of investment in coal mines is not available, government statistics for 1955 indicated that fixed assets for industrial production per productive worker in petroleum industry were more than five times those of the coal industry.¹⁵ This official information implies a lack of capital investment in the coal industry and perhaps explains why the government relies on small locally run mines instead of developing large-scale major shafts. In 1973, small mines are said to have produced 28 percent of the total coal.¹⁶ It seems probable that they have produced between 25 and 30 percent of the total output since that time. In Tibet, for example, small mines account for all the coal produced in 1975. In Kwangtung and Yunnan, they accounted for 50 percent of the coal output. Even in China's leading coal-producing province of Shansi, small mines turned out 40 percent of the output in 1975.¹⁷

The development of small coal mines is not without advantages. They are easily and quickly opened at relatively small capital expense. However, their readily accessible coal deposits are frequently exhausted in a short period of time. In contrast, new large-scale mines with deep shafts are expensive and time-consuming to build, but they are usually productive for a long period of time. By relying on small mines, the Chinese government opted for a short-term solution to a long-term problem.

In 1974, China's coal production suffered the deepest setback in several years. Its growth rate was estimated by United States government Sinologists at only 3 to 4 percent. In that year, coal was in short

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¹³ U.S. Central Intelligence Agency, *People's Republic of China: Atlas* (Washington, D.C., 1971), p. 69.

¹⁴ Chu-yuan Cheng, *op. cit.*, pp. 111-113.

¹⁵ Nai-ruenn Ch'en, *op. cit.*, pp. 150-151.

¹⁶ *Chung-kung Yen-chiu* (Studies on Chinese Communism), Taipei, vol. 10, no. 1, January, 1976, p. 44.

¹⁷ New China News Agency, Peking, January 26, 1976.

Chu-yuan Cheng is the author of *China's Petroleum Industry: Output Growth and Export Potential* (New York: Praeger Publishers, Inc., 1976); *Economic Relations between Peking and Moscow* (New York: Praeger, 1964); *Scientific and Engineering Manpower in Communist China* (Washington, D.C.: National Science Foundation, 1966); and *The Machine-Building Industry in Communist China* (Chicago: Aldine-Atherton, 1971).

BOOK REVIEWS

ON CHINA

CHINA IN DISINTEGRATION: THE REPUBLICAN ERA IN CHINESE HISTORY: 1912-1949. By JAMES E. SHERIDAN. (New York: The Free Press, 1975. 338 pages, notes, suggested reading and index, \$12.95.)

Now that the old guard of the Chinese Communist government is passing because of death and old age, it is interesting to read James Sheridan's account of the republican era in China, 1912-1949—the era it succeeded. The ancient Chinese monarchy finally disintegrated in 1912, when “social classes, political groups, and individuals fought savagely to decide who would determine the new political framework and the new social philosophy . . . the Chinese Communists won the struggle because they successfully mobilized millions of peasants to defeat their enemies.” Sheridan believes that the republican era in China prior to the Communist takeover was the transitional period that led to modern China.

Imperial China had for centuries been an agricultural country, with her agricultural communities loosely bound to the larger national entity. The national bureaucracy was the integrative force that held the country together, along with Confucian orthodoxy. By the middle of the nineteenth century, partially due to the weakening effects of the Opium Wars, provincial warlords became the real powers in China; by 1911 the revolutionary forces had eliminated the Manchu dynasty and opened the country to a feudal existence, with the provincial lords constantly at war with one another.

By 1920, the Kuomintang (Nationalists) and the Communist party had begun to seek to unify the country. The two parties at first combined forces to destroy warlordism and “establish a strong national government,” but after the successful effort to unify most of southern China, they split and began the sporadic civil war that lasted until 1949. By 1936, Kuomintang General Chiang Kai-shek had gained control of northern China and had at least a limited effectiveness in controlling warlords in most provinces. His attempted integration of the various pieces of China into a national whole met with some success, as did his social and economic programs, but the Japanese invasion of 1937 cut short further attempts to unify China. China was two nations, “the modern, semi-Westernized cities of the eastern coastal provinces, inhabited by an urban elite of Westernized intellectuals, busi-

nessmen, merchants, professionals, and officials who had little contact with life in the countryside; the other country was rural China, unchanged in its poverty, ignorance and hardship, the helpless prey of local officials, warlords, and the conservative local gentry.” The government itself was unable to meet the needs of China's millions. The Communists apparently were better prepared to reach and inspire the people; during the Japanese wars they came to control large territories behind the Japanese lines and were able to foster patriotic pride and unity by organizing the peasants for defense.

By the end of the war with Japan, the Communists really governed almost one-fifth of the Chinese people; by education, propaganda and social effort they had inspired the people to a national spirit. After 1949 and the founding of the new China, the government moved toward stronger territorial and social integration; “. . . unquestionably China since 1949 has achieved an extent of national integration it has never known before.”

Sheridan offers this overall view of China under the Republic and goes on to discuss in great detail the Revolution of 1911 and the birth of the Republic, the manner in which the warlords acquired power aided and abetted by the importation of weapons from foreign countries, and the way they failed ultimately to meet the needs of the people and were supplanted along with the Kuomintang party that had permitted their continued existence. “In sum, the Communist victory was built on the basis of the political and military organization of the anti-Japanese bases, and the legitimacy and moral authority derived from honest government and effective action against the invader.”

Sheridan believes that the era of disintegration in China is now over and that China is now a “fundamentally united nation.” He writes well, with notes and suggested readings; an excellent index adds to the value of the book. But, primarily, he writes an interesting story in an unusually readable style. There is little of the cant of many modern political scientists but all the necessary background detail to make this a useful book for the student of China.

O.E.S.

THE JAPANESE ARMY IN NORTH CHINA: 1937-1941. By LINCOLN LI. (New York: Oxford University Press, 1976. 278 pages, bibliography and index, \$24.00.)

While writing about the Japanese invasion of North China, Lincoln Li presents us with his analyses of the problems faced by the Japanese in their occupation of this territory. Like Sheridan, he emphasizes the effect of the occupation on the ultimate success of the Chinese Communists in their takeover of China. "... the rise of peasant nationalism in North China and the assumption of effective leadership over it by the Chinese Communists were negative reactions to Japanese policies . . . [which] succeeded in wresting the initiative from the Japanese."

The superior bibliography and good index make this an excellent reference tool; the book makes interesting reading about an important outside force that helped the Communists unify China.

MAO TSE TUNG AND CHINA. By C. P. FITZGERALD. (New York: Holmes and Meier Publishers, Inc., 1976. 160 pages, \$9.50.)

Although events in China have to some extent dated this short but stimulating book and although the general adulation expressed toward Chairman Mao Tse-tung is excessive, it is interesting to have this work by Australian C. P. Fitzgerald as a history of Mao and the China he created. In his introduction, A. L. Rowse calls Mao the man who transformed and revolutionized society in the biggest "expanse of territory with the longest span of continuous civilization in the human record." Fitzgerald believes that Mao imposed and introduced "upon the Chinese people, the most numerous in the world, a new, radically changed ideology, which not only supersedes but derides the values cherished for so many centuries."

Drawing on the material gathered while working and living in China during much of the revolution that brought Mao to power, Fitzgerald tells the life history of Mao and the story of a China reemerging to great national status. Now that Chou En-lai is dead and Mao himself is physically enfeebled to the point of virtual seclusion, the problem of successors to these two dominant figures remains; Fitzgerald poses possibilities but certainly no answers.

JAPAN FACES CHINA: POLITICAL AND ECONOMIC RELATIONS IN THE POSTWAR ERA. By CHAE-JIN LEE. (Baltimore: The Johns Hopkins University Press, 1976. 242 pages, appendix, notes and index, \$12.50.)

The author analyzes in great detail the developments that took place in the Sino-Japanese region from the founding of the People's Republic of China in 1949 to the exchange of ambassadors and the opening of diplomatic relations between China and Japan in 1972. He describes a "broad pattern

of political and economic relations between China and Japan from 1949 through 1972," discusses the internal politics of Japan and the linkages to China, and assesses how the competition between the Japanese Liberal-Democratic party and the opposition Socialist party affected the developing Sino-Japanese relations.

Until 1945, Japanese relations with China were marked by Japanese aggression, armed and exploitive, toward China; by the end of World War II, diplomatic relations between the two countries had ceased. During the United States occupation of Japan, Japan followed the United States foreign policy line and joined the anti-Communist group of nations. By the 1960's, Japan and the new Chinese nation "began to generate a host of conditions conducive to a readjustment of their own bilateral relations." All this took place in spite of the differences between the two countries. Japan was one of the most highly industrialized nations in the world; China still shared many of the problems of the "have-not nations" of the third world, although she soon had nuclear weapons. "The bond of mutual interest linking Peking and Moscow" was broken down by the Sino-Soviet dispute after 1957; consequently, both China and the Soviet Union began to take an interest in Japanese internal politics instead of regarding Japan as a potential common enemy.

Lee suggests that "China's postwar policy towards Japan was largely determined by a dualistic conceptual scheme in which ideological considerations were often compromised by or subordinated to the realistic requirements of China's national interest."

He notes that Japan and "the People's Republic of China developed a highly unstable, paradoxical relationship from 1949 through 1972. Overshadowed by an unfortunate historical legacy and a profound cold-war cleavage, both failed equally to understand each other's complex domestic and external circumstances and to initiate a bold, innovative, and constructive foreign policy for their mutual benefit." Much of the "tortuous evolution of Japanese-Chinese relations took place in the context of Japanese party politics. . . . The Chinese question will continue to be a crucial element of Japan's domestic politics and foreign policies . . . the direction and substance of Japanese-Chinese relations still remain in a state of flux."

Chae-jin Lee has written a well-documented account of an era. The graphs and tables throughout the text are of great value to the student, and the documents in the appendix are well chosen.

CHINA'S ECONOMIC AID. By WOLFGANG BARTKE. (New York: Holmes and Meier Publishers, Inc., 1975. 215 pages. \$16.50.)

Chinese assistance to third world countries is a little-known phenomenon. Reflecting the Chinese rivalry with the Soviet Union, it is also designed to project China's presence into key areas. The specialist will find this compendium of agreements and aid projects a useful reference.

Alvin Z. Rubinstein
University of Pennsylvania

CHINESE POLICY TOWARD INDONESIA, 1949-1967. BY DAVID MOZINGO. (Ithaca: Cornell University Press, 1976. 303 pages. Selected bibliography and index, \$14.50.)

The collapse of China's courtship of Indonesia derived primarily from domestic political developments in Indonesia over which Peking had no control. The evolution of Chinese policy is traced with meticulous care and impressive clarity. The pro-Peking Indonesian Communist party initially facilitated the Sino-Indonesian friendship. But eventually it set in motion a chain of developments that resulted in the dramatic reversal after 1965. The author also points out some of the shortcomings of China's strategy in relations with third world countries.

A.Z.R.

1976 YEARBOOK ON INTERNATIONAL COMMUNIST AFFAIRS. EDITED BY RICHARD F. STAAR. (Stanford: Hoover Institution Press, 1976. 636 pages, select bibliography and index, \$25.00.)

This latest volume in the Hoover Institution series provides "basic data about organizational and personnel changes, attitudes toward domestic and foreign policies, as well as activities of communist parties and international front organizations throughout the world" for the year 1975. The information is rich, reliable, and concisely presented. No reference or research library concerned with world affairs can afford to be without a copy.

A.Z.R.

THE GOVERNMENT AND POLITICS OF HONG KONG. BY N. J. MINERS. (New York: Oxford University Press, 1976. 300 pages, appendices, bibliography, documents and index, \$13.75.)

N. J. Miners points out in his introduction that despite "regimes overthrown, constitutions re-written, Communist revolution or military coups d'état . . . throughout all these convulsions Hong Kong has continued to run its affairs in accordance with a constitution basically and formally the same as it was in the nineteenth century." Such stability is unique. Hong Kong is a "flourishing manufacturing city" that has mastered "modern techniques in the industrial and commercial spheres."

Hong Kong has survived "only because it suits the interests of Britain, China and its own citizens that this should be so." An economic slump, however, would probably prove fatal to a continuation of its separate existence. Miners examines some of the reasons why Hong Kong's population prefers British rule and has not been persuaded by Asian and African nationalists that "poverty in freedom is preferable to affluent slavery under foreign rule." He also details at length all the apparent reasons why China has been and is unwilling to exert the necessary pressure to take over the colony. The Japanese proved in 1941 how easy it was to take it by force, and Peking would probably not need to use actual military force to annex the territory.

Britain has retained possession of Hong Kong for 130 years, with a government virtually unchanged in all that time. Britain's trade with China through Hong Kong firms is an important economic advantage to Britain, as is the large sterling balance maintained in London by a variety of Hong Kong interests.

China maintains a deliberately vague attitude toward Hong Kong. "The colony of Hong Kong is allowed to flourish like a kind of economic nature reserve where primitive untamed capitalists are permitted to roam their market jungle under the watchful eye of their Chinese keepers, who take a share of the profits but reserve the right to close down the spectacle if ever the beasts become dangerous or a threat to the peace of the surrounding region." This is the most common explanation for the continued survival of Hong Kong. However, in the event of the death of Chairman Mao Tse-tung, an "insecure successor might seek to bolster his personal authority by taking over Hong Kong, no matter what damage this might do to China's wider interests.

Miners writes well and offers a well-documented story; almost every chapter ends with some variation of his concluding quote: "Living in Hong Kong is like farming on the slopes of a volcano; the crops are lush and after awhile you get used to the periodic rumblings from the inside." Unfortunately for Hong Kong, active volcanos are very apt to explode. O.E.S.

THE THIRD WORLD REVOLUTION. BY FRED J. CARRIER. (Amsterdam, Holland: B. R. Grüner Publishing Co., 1976. 355 pages, Hfl. 60, paper.)

Carrier writes an interesting and somewhat biased study of the history of various third world nations and their evolution to the present. Among them he includes a brief history of China from ancient to modern times with particular attention to the history of the People's Republic of China and its aims and accomplishments. O.E.S. ■

CHINA AFTER CHOU EN-LAI

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may be divided and thus unable to serve as a stabilizing force. In the short run, Chinese officials who must deal with the outside world will probably continue to put the best face possible on domestic developments and to minimize the significance of the struggle. Yet it is clear that the country is already paying a price for the continuing succession conflict: in the fall of 1975, China had less to offer at the Canton Trade Fair, and in the spring fair of 1976 there was a further decline when the Chinese admitted that they could not be certain about schedules for deliveries.

If we take a longer view of China after both Chou and Mao, the picture may not be quite so gloomy. Mao has certainly worked against a smooth succession and has upset the plans Chou had for China; nonetheless, the realities of China's economic situation and her security requirements make some version of Chou's approach more compelling than the views of the radical opposition. Indeed, the ceaseless rhetoric of the radicals may in time discredit rather than strengthen "revolutionary" sentiments among a Chinese population that is becoming increasingly confused because of the ideological arguments among its leaders.

Although the intensity of the Sino-Soviet conflict will probably decline after Mao's death, China will continue to have to worry about her long frontier with the Soviet Union. She will also need advanced technology from the West and Japan. The largest country in the world cannot withdraw into primitive self-sufficiency. All of which suggests that there will continue to be pressures in China to improve relations with the United States. It was unfortunate that the man who is generally believed to have conceived of the opening to the United States did not live long enough to see relations "normalized." Still, the policy course that Chou initiated will survive him.

China will experience difficulties without the managerial talents of Chou En-lai, and the stage has certainly been set for a period of disorderly conflict, but Chou's views were so in tune with China's urgent needs that ultimately they will not be denied. Unfortunately, the particular arrangements that Chou carefully worked out have been pushed aside, and China's progress will be temporarily delayed by the passions of intra-elite conflict. ■

GROWING OLD IN CHINA

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The various benefits are paid out of a labor insurance fund financed by deductions from enterprise monthly payrolls, the rate being about 10-15 percent

of the total payroll. According to one report by a Western traveler, at the Shanghai Construction Machinery Factory (700 workers), 8.8 percent of the payroll is set aside in special funds for welfare, education, recreation, and medical care—some of which benefits the elderly. At the Peking No. 1 Machinery Plant (7,000 workers) the figure is 12 percent.¹¹ Actual enforcement of the state social security and welfare system no doubt varies from place to place, but in general it appears to be satisfactory. Like their rural counterparts, the urban elderly are involved on a part-time basis in community activities. In Shanghai, for example, over 10,000 men and women workers retire every year; in 1972, there were more than 240 retired workers holding positions as standing committee members of neighborhood revolutionary committees in more than 100 streets.¹² Many other retired Shanghai workers serve as technical advisers to small neighborhood street factories, supervisors of children's homework and recreation in housing developments, baby-sitters, community workers, and so on.

The formal systems of aid to the elderly are supplemented by a variety of voluntary community projects. For example, in Peking and other cities, neighborhood associations have set up "service units," some of which cater to the needs of the elderly. Among the projects is one that resembles a "meals on wheels" service: "When the canteen workers find old sick people in the neighborhood, they prepare special meals and deliver them regularly to their homes."¹³ The elderly are also regularly visited by medical personnel from the neighborhood. In rural areas, as we have seen, active members of production teams deliver firewood and water to those who by reason of age find it difficult to take care of themselves.

The care of the elderly in China today is a joint responsibility of the family and the larger society. Because of the marked improvement in public health and longer life expectancy, there are more old people to take care of than ever before. The most comprehensive system of social security for the elderly is that provided for retired state sector workers and employees. However, since the Cultural Revolution, the cooperative system of help has been improved, especially in the countryside. The whole scheme provides a floor below which no one, except those considered to be politically unreformable, is allowed to fall. The repellent side of the system is the class hatred with which it is infused. ■

¹¹ Victor D. Lippit, "Efficiency, Planning, and Economic Interactions in China: A Visitor's Report," *Chinese Economic Studies*, vol. 8, no. 3 (Spring, 1975), p. 60.

¹² *Peking Review*, no. 35, September 1, 1972, p. 21.

¹³ *Peking Review*, no. 5, April 9, 1976, p. 24.

CHINA AND THE WEST PACIFIC POWERS

(Continued from page 52)

ican abrogation of the 1954 treaty, or the extension of formal diplomatic recognition to the Peking regime on the pretense that the Taipei government would thereupon cease to exist and the United States would stand relieved of its treaty obligations. First, such action would collide with the conviction in Washington that, especially in light of recent developments in Indochina, the United States must at all costs maintain the "credibility" of its pledged word. Second, Taiwan is of substantial importance for the military security of both the Philippines and Japan, and these two nations will be influenced, in their relations with the United States, by the final outcome of the American-Taiwanese relationship. And finally, there is strong support still for Taiwan in the United States Congress; 198 sponsors were mustered in November, 1975, for a resolution introduced in the House of Representatives admonishing the State Department not to compromise the freedom of Taiwan in its pursuit of better relations with the P.R.C. Thus, for both political and military reasons, there is little probability of a final resolution of the China tangle in the immediate future.

It is in any event too late: Mao Tse-tung is about to die, and critical elements of his revolutionary philosophy may well die with him. The succession struggle was triggered by the death of Premier Chou En-lai in January, 1976, and the subsequent purging of Deputy Premier Teng Hsiao-p'ing; a major issue between the contending factions is whether China should follow the pragmatic policy line sketched by Premier Chou at the fourth National People's Congress in January, 1975, or the "revolutionary" Maoist line. The shape of the succession cannot be definitively determined at this stage; yet it is already clear that Chairman Mao no longer dominates China's policy, and that the pragmatists may well defeat the radicals in the struggle over the succession. And the outcome of that struggle will naturally influence the course of China's foreign relations as well as her domestic affairs.

By the pragmatic Chou En-lai design, China was to become a power of the first magnitude by the year 2000. That was originally a Mao Tse-tung design also—but the issue is procedural. It is evident that China cannot achieve that objective by the manipulation of destructive alien forces that would leave her with the "fisherman's benefit" (of adventitious profit). Meanwhile, the Soviet Union, in the light of its analysis of world power factors, has adopted a strategy of "peaceful coexistence" (some call it "détente"; President Ford terms it "peace through

strength") with the United States. Japan pursues a strategy based upon the assumption that, under existing conditions, she can best attain political power through economic power; and the United States rejects nuclear confrontation in favor of a coexistence based on general acceptance of the concept of international interdependence—in both economic and political terms.

So all four powers in the West Pacific are playing one force against another. Japan, courted by the other three, commands unusual political leverage in spite of her economic vulnerability—and her economic imagination tends to offset disadvantages in that field. The Soviet Union, advancing on the Pacific by land, via its own territory, has a natural advantage over the United States, which is extended over the ocean and pursues an essentially military strategy in a situation where economic factors are critical. But it is the People's Republic of China, trying to implement a grand strategy that depends for its success on others acting in violation of their own national interests, that is in the weakest position, in military, political and economic terms. So in due course the pragmatic Chinese will probably apply the principle of peaceful coexistence to the totality of the Sino-Soviet-Japanese-American relationship in the West Pacific, because they must. ■

AGRICULTURAL MODERNIZATION AND INDUSTRIALIZATION IN CHINA

(Continued from page 67)

supply the chemical fertilizer necessary to sustain a 3.0 percent annual growth rate in the foodgrains sector.

THE "GREEN REVOLUTION"

Prior to 1972, much was written about the "green revolution" spreading among countries in South and Southeast Asia as a result of their adoption of so-called "miracle seeds" developed by American and other scientists in the Philippines and Mexico. The optimistic news changed abruptly into pessimistic news when serious food shortage or near famine situation developed in India, Bangladesh, and so on during 1973–1974. The so-called "green revolution" was short-lived. On the other hand, not much was known about the development of new high-yield seeds in China before United States President Richard Nixon's visit to China in 1972. Plant breeding and seed improvement in China were viewed by China-watchers as limited to seed selection and to relatively simple methods of crossing and hybridization, which produced few, if any, "super" varieties. The progress

was described as mainly the transfer of short-grain rice varieties from the northern rice-growing regions to the southern paddy areas and the intensification of short-grain rice cultivation in the northern paddy fields.

In 1974, a United States plant studies delegation of 12 members,¹⁵ including some foremost agricultural scientists, visited China for four weeks. Their first-hand observations provided useful insight into the present state of Chinese agriculture. The key advances of the "green revolution" outside China were based on the successful development of high-yield dwarf strains of the two principal types of rice: "japonica" for temperate climates and "indica" for tropical climates. The indica dwarf known as IR-8, the so-called "miracle seeds or super varieties," was developed at the International Rice Research Institute in the Philippines and was first released by the Institute in 1966. The visiting scientists learned that similar dwarf indica varieties had been developed in China by means of local breeding programs initiated in 1956 and that they had been put into commercial production in southern China early in the 1960's. The japonica dwarfs developed in China were planted widely in northern China some years earlier. Thus, China's use of independently developed varieties of high-yield rice preceded the initial distribution of IR-8. New high-yield varieties of winter wheat (tall-strawed type) were developed in the early 1960's, and a few locally bred dwarf varieties are now available.

The visiting scientists also reported that China has imported small quantities of high-yield rice and wheat seeds developed in the Philippines and Mexico for testing purposes. None of the high-yield rice seeds from the Philippines have met with commercial acceptance, because the growth period for these varieties is too long to suit China's multiple cropping system. One factor that contributes to the rise in food-grain yield in China is the increasing practice of multiple cropping and intercropping. The overall rise in the intensity of cropping has been made possible by developing and planting high-yield varieties that are also quick-maturing.

The increase in Chinese foodgrain output and total agricultural production during the past 15 years can be attributed mainly to the progress made in four modern inputs: extended irrigation, farmland improvement, increased application of chemical fertilizers, and the introduction of new high-yield varieties of seed. A more balanced combination of such inputs generally ensures a more stable long-term trend of increase in agricultural output. This is the reason why

the setback in agricultural production during the poor weather years of 1972-1974 was much milder in China than in countries in South and Southeast Asia where the progress made in the extension of new high-yield seeds exceeded the progress made in other essential inputs, especially water control. Because of the efforts already expended on agriculture as well as the commitments made recently to accelerate such efforts, Chinese agriculture has undergone a gradual technical transformation in the past 15 years, and the pace of transformation will accelerate in the future.

Chinese peasants are less experienced in the correct application of a package of modern inputs. Fully to utilize the potential of improved seeds, the right kinds of associated input must be applied at the right time and in the right amount and proportion. Meanwhile a new habit of work and a new agricultural calendar adjusted to increase multiple-cropping practices must be learned by the peasantry. In addition, "second generations" problems, like the control of plant diseases and pests associated with high-yields seeds, multiple-cropping, and new storage facilities, will have to be tackled. All these adjustments take time. However, the favorable impact of modern inputs on foodgrains yield tend to be cumulative, large in the long run, and moderate in the short run. Such favorable cumulative impact should be greater in 1976-1978 than in the preceeding 10 or 15 years. Therefore, the prospect of an annual growth rate of 3.0 percent or higher for foodgrains output (3.5-4.0 percent for total agricultural production) during 1976-1980 is promising, especially if 1975-1976 should mark the last year in the current cycle of abnormal weather.

With anticipated good performance in the agricultural sector, the growth rate in the Chinese industrial sector will most likely be boosted upward during 1976-1980. Expansion of agricultural products not only stimulates the growth of the light industrial sector but also provides additional capital funds for the construction of heavy industry. In addition, agricultural expansion provides more export earnings of foreign exchange for the import of needed industrial raw materials, sophisticated machinery and equipment. However, even without added help from the agricultural sector, China's industry has already acquired the capability for self-generating industrial growth. Chinese leaders have trained and seasoned a first-class industrial labor force and have built an effective modern industrial base and a fairly large and diversified machine-building industry. One added stimulation to China's industrial growth in 1976-1980 is her rapidly growing petroleum industry, which provides more fuel (for irrigation pumps) and chemical fertilizers for the farm sector and supports a new petrochemical industry.¹⁶ Furthermore, rapidly grow-

¹⁵ Sterling Wortman, "Agriculture in China," *Scientific American*, June, 1975, pp. 13-21; G. F. Sprague, "Agriculture in China," *Science*, May 9, 1975, pp. 549-55.

¹⁶ See Chu-yuan Cheng's article in this issue.

ing foreign exchange earnings from petroleum export will greatly enhance China's ability to import the essentials for further industrial expansion.

Against this industrial background, especially with added help from the agricultural sector, the target of a 15 percent annual growth rate in the industrial sector for 1976-1980 looks more realistic. Although achieving a 15 percent annual growth rate in industrial production is possible, China's success depends on the stability of the political scene, the continuation of current economic policies by the future leadership, and the maintenance of industrial labor peace. ■

DILEMMAS IN CHINESE FOREIGN POLICY

(Continued from page 63)

diplomatic recognition to the People's Republic certainly provides little tangible return to China or support for those Chinese leaders who have backed the policy of Sino-American détente. On the other hand, several analysts have speculated that the violence of the Chinese opposition to the Soviet Union has been largely the result of the individual preference of Mao Tse-tung. In 1976, decisions about who will govern are being made in the United States and in China. The choice of those individuals, and perhaps even the timing of their selection, will affect the opportunities to shape China's foreign policy. ■

CHINA'S ENERGY RESOURCES

(Continued from page 76)

supply and was even described officially as a major bottleneck in the economy.¹⁸ Aware of the severity of the situation, Chinese officials apparently revised their development priorities. In January, 1975, the Ministry of Coal Industry was reestablished, having been formerly only a division of the Ministry of the Coal, Petroleum and Chemical Industries.

In October and November, 1975, in Peking, a national coal conference was attended by more than 5,000 cadres, workers, technicians and researchers in the coal industry. At this conference, a 10-year program for China's coal industry was developed. In a keynote address to the conference, Hsu Chin-chiang, the Minister of the Coal Industry, announced a 4-point plan to boost coal production that included "tapping the potential of existing mines, completing the coal mines under construction as soon as possible,

actively transforming and developing small mines into larger ones, and developing several large-scale coal mining centers."¹⁹ In July, 1975, Peking announced that 22 pairs of coal shafts had been completed and had been producing during the first half of 1975, raising production capacity by three times the increase achieved in the comparable period in 1974.²⁰

Recent Chinese government reports reveal that a new major coal mining center has been established in Paoting, in southern Szechwan. The mines of this center cover 100 square kilometers, with seams that measure 50 kilometers in length. While it was first opened in 1965, the center was not in full operation until recently. The 1976 output of the Szechwan mine complex was said to be more than 37 times that of 1966.²¹ Two important rail lines have been opened during the past three years in the Szechwan, Yunnan and Kweichow region, an area which has been a source of little coal mining in the past. All these developments indicate that the Chinese government has opened new coal mines in the Southwest region, again altering the regional source of energy distribution.

With these renewed efforts in expanding coal production, 1975 coal output rose. Recent estimates made by United States government Sinologists estimated China's 1975 coal output at between 425 million and 435 million tons, an 11 to 12 percent increase over 1974.²² In relative terms, the 1975 coal output of China amounted to 82 percent of the United States output, and 91 percent of that of the Soviet Union.

PETROLEUM

With respect to petroleum, continued progress has been made in Taching, Takang and Shengli. The Taching-Chinwangtao pipeline, construction of which began in August, 1970, was completed in October, 1973. In June, 1975, the pipeline was extended to Peking through Tientsin. Construction of a second pipeline in the northeast area, paralleling the northernmost segment of the first and terminating at T'ieh-ling in Liaoning Province, was completed by October, 1974. In December, 1975, this line was extended to the port of Dairen.²³

The completion of these major pipelines facilitated the efficient transportation of oil between northeast and north China. Crude oil output in the first 11 months of 1975 was officially reported as having increased by more than 20 percent over the comparable 1974 period,²⁴ thus raising the estimate of Chinese crude oil output for 1975 to 75 million tons. Recent reports from Hong Kong appear to indicate that a major oil field in Nanhai county near Canton in Kwantung is under construction.²⁵ Official information infers that Canton is preparing to become a major producing center of petrochemicals, based on

¹⁸ *Current Scene*, Hong Kong, May, 1976, p. 12.

¹⁹ *Jen-min Jih-pao* (People's Daily), November 1, 1975.

²⁰ New China News Agency, July 22, 1975.

²¹ *China Reconstructs*, Peking, May, 1976, pp. 19-20.

²² *Current Scene*, May, 1976, p. 14.

²³ New China News Agency, December 5, 1975.

²⁴ *Ta-Kung-pao*, Hong Kong, December 1, 1975.

²⁵ *Far Eastern Economic Review*, Hong Kong, November 7, 1975, pp. 32-33.

the development of a new oil field in South China,²⁶ but such fragmented information requires further corroboration.

As of mid-1976, the energy supply picture for the People's Republic of China appears bright. In 1975, China was a net exporter of both coal and oil. The People's Republic shipped 280,000 tons of coking coal to Romania and 10 million tons of crude oil to Japan, North Korea and Southeast Asian countries. But the long-term prospects of China as a major energy exporter remain obscure.

China's foremost problem is her lack of capital. Although China possesses adequate energy resources, her extraction capacity and transportation facilities are still extremely inadequate. The recent diversion of capital to oil development has been at the expense of investment in the coal industry. Reallocation of capital investment from oil to coal could in turn dampen the growth of the petroleum industry. The most promising oil resources, lying offshore on the Continental Shelf, will require tremendous outlays to the foreign companies that make and supply the massive drilling rigs and sophisticated equipment necessary to extract large quantities of oil from this area. Extraction of the rich deposits inland, on the other hand, requires the construction of many thousands of miles of pipeline. Either route will require huge amounts of capital expenditures.

Recent evidence suggests a sharp curtailment in China's procurement of foreign petro-equipment in the first half of 1976. China's capacity to obtain this expensive sophisticated equipment may already have reached its immediate potential limits. Unless China is willing to forego her policy of self-reliance and to allow foreign oil companies to exploit offshore resources jointly, the growth rate of oil production may decelerate.

Political instability constitutes another hindrance. In 1974, it was clear that the campaign to criticize Lin Piao and Confucius had a seriously disruptive effect on coal supplies. The "Central Document 21," issued by the C.C.P. Central Committee in midyear 1974, admitted that coal production for the first five months of 1974 had fallen below target by 8.35 million tons.²⁷

Recent disturbance arising from the criticism of Teng Hsiao-ping and his "revisionism line" may have

been a factor in the decline of oil exports to Japan and the Philippines.²⁸ Until the current succession struggle is settled, any long-term development program, including the energy plan, is not likely to be effectively implemented. ■

CHINA'S FOREIGN TRADE

(Continued from page 72)

supplying industrial products—particularly West Europe, Japan, and the United States. This appears to be the course that China will follow.

Before the advent of the Communist regime in 1950, a net grain import (mainly rice, wheat and wheat flour) was almost a perennial phenomenon of China. The agricultural account as a whole (including both food and non-food agricultural products) usually had surpluses. Deficits of the grain account were made up by the surplus in China's non-food agricultural products, particularly soybean, tung oil, hog bristle, tea and silk.⁹

During the 1950's, as a result of effective government drives, China managed to convert the deficits in her grain trade into surpluses. Instead of importing rice and wheat on a large scale, China became a net exporter of rice and other food products, and maintained surpluses in all agricultural products. In these years, sugar was China's only major food import, and raw cotton and natural rubber were the only major non-food agricultural imports.

The situation, however, changed drastically in the early 1960's, after the fiasco of the Great Leap Forward. Instead of exporting grain, China was forced to import large quantities of wheat and some minor grains, mainly from Canada and Australia. Efforts were made to expand China's rice and non-grain food exports (such as meat, vegetables, fruit and processed food) but they were not sufficient to cover the grain imports. Not until the mid-1960's did China's food exports become large enough to cover the deficit caused by the wheat imports, thereby bringing both the food and the entire agricultural accounts back to a surplus position. The surplus in food trade resulted primarily from the expansion in China's non-grain food exports. During 1972-1975, China's earnings from her rice exports alone were sufficient to cover the cost of her wheat imports in these years.¹⁰

Machinery and equipment, iron and steel, and chemical fertilizers have been the leading capital goods imported by the People's Republic. Imports of

²⁶ *U.S.-China Business Review*, January-February, 1976, p. 49.

²⁷ U.S. Central Intelligence Agency, *China: Energy Balance Projections*, Washington, D.C., 1975, p. 3.

²⁸ According to oil industry spokesmen in Japan in April, oil exported from China to Japan will be down 2.2 million tons in 1976. Japanese sources believe the domestic political situation may have been a significant factor. (*U.S.-China Business Review*, May-June, 1976, p. 57.) Also, Chinese supplies of oil to the Philippines were suspended between April and May, 1976. (*Japan Times*, Tokyo, June 5, 1976.)

⁹ Discussions in this section are based on the trade statistics presented in Janet Chapman and S. H. Chou, *op. cit.*, ch. 7.

¹⁰ See a statement made by China's Vice Minister of Agriculture and Forestry at the United Nations World Food Conference in November, 1974, published in *Peking Review*, November 15, 1974. Statistics given in the Chinese statement were confirmed by Nai-Ruenn Chen, *op. cit.*, p. 626 n.

TABLE 4: TRADE SURPLUS (+) AND DEFICITS (-) OF CHINA
(in million U.S. dollars)

Trade Partner	1950-1954	1955-1960	1961-1965	1966-1970	1971	1972	1973	1974
COMMUNIST COUNTRIES (annual average)								
U.S.S.R.	-177.7 incomplete data	+ 90.8	+181.1	- 10.0	- 5	+ 13	0	- 4
East Europe ^(a)		- 13.4	+ 35.0	- 1.0	+ 5	- 35	+ 5	0
NON-COMMUNIST COUNTRIES								
West Europe ^(b)	+ 15.7	-111.2	- 21.8	-267	-165	-115	-365	- 530
Canada, Australia, Argentina	negligible	+ 7.6	-321.2	-227.6	-172	-244	-396	- 792
Hong Kong	+ 31.3	+170.8	+251.8	+329.4	+425	+505	+775	+ 857
Malaysia & Singapore ^(c)	+ 16.6	+ 29.3	+ 81.5	+ 19.1	+115	+145	+215	+ 305
Japan	0	+ 40.6	- 17.2	- 51.3	-285	-172	-171	-1261
United States		-- negligible --			+ 5	- 47	-748	- 834
TOTAL SURPLUSES OR DEFICITS^(d)								
	-179	+ 43	+250	+ 61	+110	+250	-170	- 975
With Communist countries	-101	+ 62	+304	+135	+ 85	+205	+290	+ 390
With non-Communist countries	- 78	- 19	- 54	- 74	+ 25	+ 45	-460	-1365

Notes and sources: See those of Table 1.

machinery and equipment amounted to \$42.5 million, or 15.7 percent of total imports, in 1937, and \$72.7 million, or 16.6 percent of total imports, in 1947. In the late 1950's, machinery and equipment accounted for over 50 percent of China's imports from the Soviet Union and about 20 percent of the total imports from West Europe. In 1959, China imported about \$447 million in machinery and equipment, including \$400 million from the U.S.S.R., \$24 million from the nations of West Europe, and \$23 million from Hong Kong.

MACHINERY

There was a sharp reduction in machinery imports in the early 1960's after the rift with the Soviet Union. This reduction was followed by some recovery in the mid-1960's, with Japan and West Europe replacing the U.S.S.R. as major suppliers. Not until the early 1970's did the total value of China's machinery equipment import regain and surpass the peak imports of the 1950's. China's total imports of

machinery equipment rose sharply from about \$500 million in 1971 to \$860 million in 1973 and \$1,610 million in 1974.¹¹ These imports, however, were somewhat curtailed in 1975. In 1958, more than 1 million metric tons of iron and steel were shipped to China from West Europe, 270,000 tons from the Soviet Union and another 100,000 tons from Japan, compared with a total import from all sources of about 621,000 metric tons in 1937 and of 210,000 tons in 1947.¹² In the early 1960's, China sharply curtailed her imports of iron and steel products along with other capital goods. A part of this loss of ferrometallurgical imports was recovered in the late 1960's. In 1968, China imported more than 700,000 metric tons of iron and steel products, including about 400,000 tons from West Europe and the balance from Japan. Imports from the Soviet Union, a major supplier of steel in the early 1950's, dwindled to a trickle in the late 1960's.¹³

As was true of machinery and equipment, China's iron and steel imports rose sharply in the early 1970's. Annual imports exceeded 2 million tons during 1970-1972, and reached about 3.7 million tons in 1973 and 1974.¹⁴ In addition to the volume of the imports, the sources of China's ferrous imports also changed.

West Europe dominated China's steel market in the late 1950's and the 1960's. But since the late 1960's, the share of Japanese steel in the Chinese market has become increasingly important; Japanese steel accounted for more than three-fourths of China's steel imports in the early 1970's.¹⁵

Chemical fertilizers have been the third major manufactured producer goods that China has been

¹¹ Central Intelligence Agency, *op. cit.*, 1972, p. 11 and 1975, p. 13.

¹² Based on data in U.S. Department of Commerce, *Foreign Commerce Yearbook* for 1937 and 1948 (Washington, D.C.: U.S. Government Printing Office), section on China; and Organization for Economic Cooperation and Development, *Trade by Commodities, Statistics of Foreign Trade Series C*, 2 volumes, January-December, 1958 and 1959.

¹³ Based on the data in OECD, *Trade by Commodities*, for years 1968 through 1972.

¹⁴ Central Intelligence Agency, *op. cit.*, 1972, p. 17, and 1975, p. 13. Also C.I.A., *China's Minerals and Metals Positions in the World Market*, 1976, pp. 15 and 16; and OECD, *Trade by Commodities* for years 1968 through 1973.

¹⁵ Same sources as those mentioned in two previous footnotes.

importing. During 1970–1974, each year China imported more than 4 million metric tons of chemical fertilizers, with a value in excess of \$200 million.¹⁶ In the 1950's, West Europe was the primary supplier. Since the late 1960's, however, Japan's share has been substantially expanded.

There is one obvious difference between the pattern of China's fertilizer imports and the patterns of the steel and machinery imports. According to a recent Western study, after a sharp increase in the late 1960's, China's fertilizer imports have remained at the level of about 4 million tons a year. This pattern is in sharp contrast to the pattern of steel and machinery imports, both of which showed substantial increases during 1970–1974. In the same period, the domestic production of chemical fertilizers almost doubled.¹⁷ These statistics reflect China's preference for expanding domestic production instead of increasing imports. This preference could alter with changing conditions of the world's fertilizer market.

One of the features of China's foreign trade policy has been the import of raw materials in order to expand the output of manufactured products, which were then exported. Available statistics indicate that foreign exchange earnings from such exports of manufactured goods have, in most cases, been more than adequate to cover the cost of imported raw materials.

The best example of such import-for-export operation has been the import of textile fibers (such as raw cotton, wool and synthetic fibers) and the export of cotton and woollen textile products (including fabrics and clothing). During 1973 and 1974, for example, China earned about \$1.2 billion annually from her textile exports, while paying from \$500 million to \$600 million each year for her textile fiber imports. During 1970–1974, while the value of China's textile fiber imports were about doubled, the value of her textile exports nearly tripled.¹⁸

Not all imported fibers were used for manufacturing exports and not all the textile exports were manu-

factured from imported fibers. Yet the contribution of such import-for-export operation is obvious. In contrast, in 1974, China had a net import of raw cotton and wool yarn of about \$70 million and \$10 million, respectively. In the same year, the value of her textile exports amounted to about \$30 million, which fell far short of the value of the fiber imports.¹⁹

The import-for-export operation, particularly when it involves such labor-using industries as the textile manufacturing production, permits the exportation of Chinese labor inputs along with the textile products. If China's technological and productive capacity permits, it is likely that in the near future she will be able to extend such import-for-export operations to heavy industries (like steel and machinery manufacturing industries) and other light industries (like electronic products), as Japan and several other industrialized countries have done.

During the 1930's, less than two percent of the Soviet Union's imports were of manufactured (non-food) consumer goods, while exports of consumer goods accounted for 8 percent to 12 percent of its total exports.²⁰ In the post-war years, in contrast, the Soviet Union has been a net importer of manufactured consumer goods. Even during the grain crisis of the 1960's, its share of imports of manufactured consumer goods was maintained at a level of 14 percent to 20 percent of total imports, while exports of manufactured consumer goods were under four percent of total exports.²¹ A very large proportion of post-war Soviet imports of these manufactured consumer goods are imports from other Communist countries. Thus, cutting these imports would not have released hard currency to pay for increased wheat imports.

On strategic grounds, it has been argued that once the minimum subsistence need for consumer goods can be met domestically, the government has the choice of either increasing domestic production of consumer goods or importing them. The importation policy has the advantage of making the nation's resources available for developing capacity to produce other, strategically more important goods so that their supply will not be adversely affected should foreign trade be curtailed or suspended. The opportunity cost of such a policy is the sacrifice of foreign exchange that could otherwise be used to import producer goods more directly related to the industrialization drive. In the Soviet case, the relatively high (in comparison with China) standard of living means that not all imported manufactured consumer goods are essential to the survival of the people. On these strategic grounds, the Soviet Union's import of a substantial volume of these "non-essential" manufactured consumer goods (or *toys* in Domar's terminology)²² to meet its domestic demand has a certain logic.

¹⁶ A. L. Erisman, "China: Agriculture in the 1970's", in U.S. Congress, Joint Economic Committee, *China: A Reassessment of the Economy*, 1975, p. 333.

¹⁷ *Ibid.* Also Kang Chao, "The Production and Application of Chemical Fertilizers in China," *The China Quarterly*, December, 1975, pp. 712–729.

¹⁸ C.I.A., *International Trade Handbook* for 1972, p. 17 and 1975, p. 13.

¹⁹ See *Foreign Commerce Yearbook*, 1948, section on China.

²⁰ MVT, *Vneshniaia torgovlia SSSR 1918–1966*, p. 15.

²¹ See Chapman and Chou, *op. cit.*, chapter 7, Table 7.12 and 7.13.

²² Evsey D. Domar, "Discussion" in Brown and Neuberger, *International Trade and Central Planning* (Los Angeles and Berkeley: University of California Press, 1968), pp. 277–278. For an early expression of this view, see Janet Chapman, "Comments" in Abram Bergson, ed., *Soviet Economic Growth* (Evanston, Ill.: Row, Peterson & Co., 1953), p. 357.

China has taken quite the opposite course of producing rather than importing manufactured consumer goods. She has imported very little in the way of consumer goods besides her grain purchases. When domestic production is below subsistence needs for consumer goods, as in the case of grain in the early 1960's, they become "strategic" goods. Moreover, manufactured consumer goods, especially textiles, are an important export of China. The decision to produce manufactured consumer goods domestically is justified partly by the existence of surplus labor, both the unemployed and the underemployed, particularly in China's rural areas. By utilizing this surplus labor in labor-intensive small-scale industries, China has made available a large number of products, which cover at least part of her domestic consumer needs and help free the capacity in modern light industries to produce for export. Thus, China exports "toys" to finance imports of machinery, a policy now more "strategic" to her growth and ultimate security against unfavorable developments in foreign trade.

Before 1950, China's annual production of crude oil rarely exceeded 100,000 metric tons, and 85-90 percent of the country's needs were met through imports. In 1948, more than one million tons of petroleum and petroleum products were imported.²³

As a result of accelerated explorations, China's oil production has increased substantially since 1950. In 1963, the Ta-ching oil field, the major oil field in Manchuria, began its production. By 1964, the Chinese production reached 6.4 million tons and the percentage share of oil imports dropped to 21 percent of China's total consumption. Additional oil fields were discovered in the 1960's. By 1974, China's crude oil output rose to 65 million tons. Instead of importing, the PRC began to export crude oil in 1973. In that year, one million tons of crude oil were exported from China to Japan at \$3.75 per barrel (FOB). In 1974 the total oil export exceeded four million tons, amounting to approximately \$450 million. The total value of the PRC's oil export reached about \$800 million in 1975.²⁴

Available data show that during 1971-1974, China's oil production grew an average of about 23 percent annually, and her oil consumption increased about 20 percent a year. If these growth rates continue, China may have an oil surplus for export of

about 50 million tons by 1980. This surplus, of course, may be expanded by either accelerating production or curtailing domestic consumption. At the current prices, an export of 50 million tons could yield foreign exchange earnings in excess of \$4 billion.²⁵

All these data indicate that oil will likely play an increasingly important role in China's export trade in the next decade or so, constituting a major source of China's foreign exchange earnings.²⁶

THE TRADE POLICY OF THE U.S.S.R.

It is obvious from previous discussions that China's trade policy is different not only from that of pre-1950 China but also from that of the Soviet Union. In terms of directions of trade and the importance of trade to the national economy, the People's Republic has put much less emphasis on economic autarky and has depended far less on trade with Communist countries than the Soviet Union.

After almost complete suspension of foreign trade during World War I and a very low level of trade in the early 1920's, Soviet trade began to increase rapidly in the early 1930's. But even then, according to one measure, the volume of Russia's exports in 1930 and 1931 were only about 50 percent of the 1913 level, and the volume of imports was only about 80 percent of the 1913 level. The volume of trade declined subsequently. Not until the 1950's did Russia's volume of trade regain and surpass the level of 1913.

In contrast, China's volume of international trade showed a sharp increase immediately after the ascendancy of the Communist administration. Between 1950 and 1958, the volume of China's trade turnover tripled, with the trade volume of 1958 substantially higher than the pre-1950 peak.

The Communist countries, particularly members of the Council of Mutual Economic Assistance (commonly known as CMEA or COMECON), have been the Soviet Union's leading trade partners. The direction of China's trade followed an entirely different pattern. During the 1950's, the Soviet Union dominated China's trade both as a supplier and as a buyer. In the 1960's, ideological conflict sharply reduced the trade between the two countries. In the meantime, China's trade with the West rose steadily after 1955. In the 1960's, the volume of China's trade with the West was substantially larger than that of her trade with the Communist countries.

Several important factors accounted for these differences in the trade policies of China and the Soviet Union. The first factor was the hostility toward and the suspicion of the Bolsheviks on the part of the Western world during the early years of the Soviet administration. This hostility and suspicion resulted partly from Soviet repudiation of the Tsarist debts.

²³ *Foreign Commerce Yearbook*, 1950, pp. 446-4450.

²⁴ B. A. Williams, "The Chinese Petroleum Industry: Growth and Prospects"; U.S. Congress, Joint Economic Committee, *China: A Reassessment of the Economy*, 1975, pp. 225-263.

²⁵ *Ibid.*, pp. 247-250; Chu-yuan Cheng, *China's Petroleum Industry: Output, Growth and Export Potential* (New York: Praeger, 1976), ch. 8 and 9.

²⁶ Kenneth Yalowitz, "USSR-Western Industrial Cooperation," in *Soviet Economic Prospects of the Seventies*, pp. 712-718; M. Lavigne, *The Socialist Economy of the Soviet Union and Europe*, pp. 343-348.

Economic blockade was imposed against the Soviet Union in the early years of its existence and lasted until 1921. Foreign aid and credit were virtually unobtainable. Being the only socialist country in the world, the Soviet Union could not find any ally sympathetic to her cause.

THE EFFECT OF THE DEPRESSION

The Great Depression in the West in the 1930's severely curtailed the market for Soviet exports. Depreciating world prices for primary products, which dominated the Russian exports, resulted in a worsening of the terms of trade for the U.S.S.R. In contrast, when the Communist regime came to power in China, it found ready allies in the Soviet Union and other Communist countries. These countries were China's leading trade partners in the early 1950's. Soviet economic aid provided the springboard for China's rapid economic growth in the 1950's. Because of the change in the international atmosphere after World War II, China had far less to fear from the West than did the Soviet Union during the 1920's, and therefore had less hesitation in seeking trade with the West. Developed nations in the West vied for the Chinese market. Up to 1972, the United States was the only major power to attempt, with little success, to impose an economic blockade on China.

Agricultural products and the products of light industry played a much more important role in China's export trade than in the case of the Soviet Union. Agricultural products, particularly wheat, also played an important role in exports in the early Soviet era. The share of agricultural exports in the Soviet's total export, however, has declined with the progress of Soviet industrialization and with the dwindling of the wheat surplus as a result of the poor performance of Soviet agriculture. In the meantime, the share of manufactured exports, led by products of heavy industries, has risen in recent years.

In light of Russia's trade policy and her lack of cheap labor supply, it is highly unlikely that the light industry products will ever play a role in Russia's export trade comparable to that of light industrial exports in China. Similarly, China's heavy industries have to make substantial improvement in technology and production before their products can be exported in quantity.

In the foreseeable future, China's policy relating to the importation of consumer goods has apparently been much more restrictive than that of the Soviet Union. If the present Soviet trend to liberalize the supply of consumer goods continues, differences between Soviet and Chinese policies toward imports

of consumer goods will likely increase rather than decrease.

The Soviet Union has relied upon the exports of gold and other precious metals as a means of balancing its international payments. Such precious metal reserves are non-existent in China. In place of precious metals, China depends heavily upon remittances from overseas Chinese and earnings of exports to Chinese-oriented markets in Hong Kong and other Southeast Asian countries to cover the deficits in her trade with Europe and other Western countries. These remittances and exports earned China billions of U.S. dollars each year and have been an important component in China's monetary reserve.

China's experiences in the 1950's and the 1960's, as well as the experience of post-World War II Taiwan, have demonstrated how the foreign trade of a country under proper management can multiply over a short period and help industrial development.

SINO-AMERICAN TRADE

Since the re-opening of Sino-American trade in 1972, agricultural products (particularly grain and raw cotton) have accounted for the bulk of United States exports to China. In addition, China has also purchased a substantial amount of capital goods.

What is the prospect for Sino-American trade? China needs American grain, raw cotton and capital goods, particularly those involving high technology. Barring a major breakthrough in her agricultural production, China will most likely continue to import grain to maintain her rice export and meet her domestic needs. Cotton imports are also essential to producing China's textile exports and will have to be continued. A leading exporter of raw cotton and one of the few countries with grain surpluses, the United States should share in the Chinese market for such agricultural imports. In addition, China must reply on the United States to supply some of the sophisticated capital goods that are not readily available elsewhere.

How will China pay for these purchases? Surpluses accrued from her trade with Hong Kong, Singapore, and Malaysia may constitute one source of finance. China's petroleum exports, if the potential of her oil production is realized, will be another source. Technical and economic cooperation with foreign enterprises may also augment China's foreign exchange earnings. While Communist ideology and political ambience inhibit any direct foreign investment in China, the People's Republic would probably consider international cooperation in the form of subcontracting, payment of machinery and equipment by exporting raw materials, mineral ores and/or manufactured products. Such cooperation has been in operation in the Soviet Union and East European nations.²⁷

²⁷ For a further discussion of China's energy needs and resources, see the article by M. I. Cheng in this issue.

THE MONTH IN REVIEW

A CURRENT HISTORY chronology covering the most important events of July, 1976, to provide a day-by-day summary of world affairs.

INTERNATIONAL

Conference on Nuclear Wastes

July 12—At the beginning of a 5-day conference in Denver, representatives of 7 nations involved in the development of nuclear power form an international committee to discuss the disposal of nuclear wastes.

Council for Mutual Economic Assistance (COMECON)

(See U.S.S.R.)

European Economic Community (EEC)

July 12—It is reported from Paris that the representatives of the 9 member nations have reached tentative agreement on the distribution of seats in a directly elected European Parliament. The new Parliament will have 410 seats.

July 13—In Brussels, the 9 Common Market nations issue a declaration condemning international hijacking; they agree to work out a treaty that will commit them to prosecute or extradite terrorists and hijackers.

International Olympic Games

July 1—The refusal of the Canadian government to allow athletes from Taiwan to compete under the Republic of China banner is disclosed today; the Canadian decision, made after prodding from Peking, was actually made on May 28.

July 15—The U.S. says it will compete in the games after Canada offers to allow the Taiwanese to compete under their own flag and anthem, although the Taiwanese may not call themselves representatives of the Republic of China.

July 16—Taiwan withdraws from the games; Nigerian athletes also withdraw, because of the participation of New Zealand, which they term a "collaborator" with South Africa.

July 17—The Olympic Games begin in Montreal. Representatives of 94 nations are competing.

July 19—Representatives of 27 nations, mostly black African or African sympathizers, withdraw or prepare to withdraw from the Games as a protest against the participation of New Zealand.

International Terrorism

(See also U.N.; Israel; Kenya)

July 1—The Israeli Cabinet votes to empower a 6-

man delegation to negotiate with the pro-Palestinian hijackers of a French jet who are holding 98 passengers, mostly Israelis, and the crew of 12 hostage at Entebbe Airport in Uganda. Earlier today, the hijackers released 101 more hostages, but they are threatening to kill the 110 remaining prisoners.

July 3-4—In a surprise raid 2,500 miles from Jerusalem, an Israeli commando unit raids Entebbe Airport and flies back to Israel with the 103 hostages it rescues in the raid. It is reported that 4 Israelis, 7 of the 10 hijackers, and about 20 Ugandan soldiers who were guarding the airport were killed in the raid.

U.S. President Gerald Ford congratulates Israeli Prime Minister Yitzhak Rabin for averting "a senseless act of terrorism." Ugandan President Idi Amin asks the U.N. Security Council to censure Israel for her attack on Entebbe Airport.

July 8—U.N. Secretary General Kurt Waldheim says the world community should take action against international terrorists.

July 11—Ugandan President Amin tells an Israeli friend by telephone that he is "finished with the terrorists."

Middle East

(See also Intl Terrorism)

July 3—Right-wing Christian forces continue their assault on Tell Zaatar, a Palestinian refugee camp southeast of Beirut.

July 6—Fighting breaks out in northern Lebanon between Christians and Palestinians.

July 8—Secretary General of the Arab League Mahmoud Riad returns to Cairo after an attempt to settle the strife in Lebanon. He says, "The Arab League force . . . cannot do its job before there is a cease-fire."

July 9—Nearly 1,500 people are reported killed in the last 5 days of fighting in Lebanon's northern coastal area as right-wing Christian forces press toward Tripoli.

July 14—Palestine Liberation Organization (PLO) leader Yasir Arafat reportedly requests assistance from Arab countries in his fight against Syrian and Christian forces.

July 16—The American embassy in Beirut urges all American citizens to leave the country and announces that the embassy is organizing another evacuation.

July 18—In Cairo, leaders from Saudi Arabia, Egypt and the Sudan meet to discuss inter-Arab affairs.

July 21—As part of the Arab League's peace-keeping force, Saudi Arabian troops take up positions at a Beirut museum, which is located at the cross-roads between Muslim-controlled west Beirut and Christian-held east Beirut.

July 27—308 American and other foreigners are evacuated from Beirut on the *U.S.S. Coronado*, a transport ship of the U.S. Sixth Fleet. Units of the PLO army provide security.

July 29—After 9 days of talks in Damascus, Syrian Foreign Minister Abdel Halim Khaddam and PLO representative Farouk Kaddoumi reach an agreement for a cease-fire that reaffirms the Syrian right to maintain troops in Lebanon.

July 30—At the apparent insistence of Libyan Prime Minister Abdel Salam Jalloud, principal mediator between Syria and Lebanon, an anti-Egyptian clause condemning the Egyptian-Israeli Sinai agreement has been included in the Damascus declaration issued yesterday by Syria and the PLO as a step toward a cease-fire.

July 31—Right-wing Christians refuse to allow the International Red Cross to evacuate about 4,000 wounded civilians from the besieged Palestinian camp at Tell Zaatar in Lebanon.

Organization of African Unity (OAU)

July 2—In Mauritius, OAU chairman Idi Amin opens a meeting of the chiefs of state of the OAU.

Organization of American States (OAS)

July 31—By a 15-0 vote of the executive council the OAS decides to send 28 observers to supervise the establishment of a demilitarized zone between Honduras and El Salvador.

United Nations

(See also *International Terrorism; South Africa; Sudan; Zambia*)

July 6—Representatives of African nations ask the Security Council to meet to discuss Israel's "wanton act of aggression" against Uganda.

July 12—Addressing the Security Council, U.S. representative to the U.N. William W. Scranton says that the Israeli rescue of hijack victims was a "combination of guts and brains that has seldom if ever been surpassed."

July 14—African members of the Security Council withdraw their resolution censuring Israel for a "flagrant violation" of Ugandan sovereignty; the resolution faced certain defeat in the Council.

July 21—In the first of a series of papers prepared for the U.N. Water Conference that will be held in March, 1977, the U.N. reports that reliable water supplies are scarce in some areas of the world.

July 30—The Security Council adopts a resolution condemning South Africa for a July 11 attack on a guerrilla camp in Zambia; South Africa denies responsibility for the attack.

ANGOLA

July 10—3 British and 1 American mercenary, Daniel F. Gearhart, are executed by firing squad for their role in the recent Angolan civil war.

July 18—President Agostinho Neto confirms reports of guerrilla activity along the borders. He reports a recent massacre of 101 people along the border with South-West Africa (Namibia).

ARGENTINA

(See also *Bolivia*)

July 2—A bomb explodes in the headquarters of the superintendency of federal security; 18 policemen are killed and 66 others are wounded.

July 5—In Buenos Aires, 3 Roman Catholic priests and 2 seminarians are shot to death in their parishes. The killings are believed to be a reprisal for the bombing at police headquarters.

July 6—In the wake of the police headquarters bombing, General Arturo Corbetta is dismissed as federal police chief. He is succeeded by General Edmundo Rene Ojeda. General Corbetta replaced General Cesareo Cardoza, who was assassinated June 18.

July 19—According to the U.N. High Commission for Refugees, nearly 30 Uruguayan refugees living in Buenos Aires have been kidnapped.

Government security forces kill the leader of the People's Revolutionary Army Mario Roberto Santucho and one of his men.

AUSTRALIA

(See also *U.S., Foreign Policy*)

July 12—Nearly 2 million members of the Australian Council of Trade Unions begin a 24-hour national strike to protest the government's health program. This is the country's first national strike.

AUSTRIA

July 10—Parliament approves legislation that allows minority groups to use their own languages in government, businesses, and schools.

BOLIVIA

July 6—The Argentine government grants Bolivia a free port zone on the Paraná River, thus giving Bolivia access to the Atlantic Ocean.

BURMA

July 20—Rangoon radio reports that there was an attempt on the life of President Ne Win and 2 senior officials by Burmese military officers earlier in July.

CANADA

(See *Intl, Intl Olympic Games*)

July 1—*The New York Times* reports that Environment Minister Jean Marchand resigned from the Cabinet on June 30. Marchand, a French-speaking Canadian, denounces the temporary agreement reached by the government with the English-speaking airline pilots.

July 21—The government agrees to buy 18 antisubmarine planes worth \$697 million from the U.S. Lockheed Aircraft Corporation.

CHINA

(See also *India*)

July 6—Marshal Chu Teh, chairman of the National People's Congress and "father of the Red Army," dies at the age of 90.

July 12—Chen Chao-yung is named ambassador to India.

July 14—Peking radio announces the death of Pi Ting-chun, a member of the Chinese Communist party's Central Committee and a commander of the People's Liberation Army, on July 7 at the age of 62.

July 24—Peking Mayor Wu Teh, a deputy chairman of the People's Congress and a member of the Communist party Politburo, succeeds Marshal Chu Teh as chairman of the National People's Congress.

July 25—Hsinhua, the national press agency, reports the death of Hsu Chin-chiang, an official of the petroleum, chemical and coal industries, on July 21 at the age of 61.

July 28—Peking and Tientsin suffer an earthquake measuring 8.2 on the Richter scale. No estimate of the damage is available. The quake that devastated sections of Guatemala earlier this year was measured at 7.5 on the Richter scale.

A second quake hits Peking 16 hours after the 1st. The second quake measures 7.9 on the Richter scale. The residents of Peking take to the streets in anticipation of further quakes and tremors.

July 30—Rescue work begins in Tangshan, which was reportedly destroyed by the earthquakes, and in Peking and Tientsin.

EGYPT

(See also *Intl, Middle East*)

July 19—The government press agency reports that on July 15 President Anwar Sadat signed a mutual defense pact with Sudanese President Gaafar Nimeiry.

ETHIOPIA

July 13—The government radio announces the execution of 18 military leaders and merchants for a variety of crimes including plotting a coup and hoarding food.

July 25—2 army officers are executed by firing squad for attempting to incite an army rebellion.

FRANCE

(See also *Italy*)

July 22—The Bank of France raises its discount rate from 8 percent to 9.5 percent in an attempt to support the current value of the franc. The franc has dropped 8 percent in value since the beginning of the year.

July 31—A Foreign Ministry spokesman says that the Foreign Ministry has asked Cambodia to end her active diplomatic mission in France.

French Territories

AFARS AND ISSAS

July 10—In Djibouti, 10 people are killed and 60 are injured in fighting between Issa and Afar tribesmen.

July 17—Ali Arif Bourhan, President of the Council of Ministers for 16 years, announces his resignation.

July 30—Abdallah Mohamed Kamil succeeds Ali Arif Bourhan.

GERMANY, FEDERAL REPUBLIC OF (West)

(See *Italy; U.S., Foreign Policy*)

INDIA

(See also *U.S., Administration*)

July 7—Newly appointed ambassador to China K. R. Narayanan arrives in Peking; he is the 1st Indian ambassador to China in 15 years.

INDONESIA

July 17—President Suharto signs a bill incorporating East Timor into Indonesia. East Timor has been under Portuguese rule for 400 years.

IRELAND

July 21—In Dublin, British Ambassador to Ireland Christopher T. E. Ewart-Biggs is killed when a land mine explodes beneath his car. His secretary is killed and 2 other people in the car are wounded.

ISRAEL

(See also *Intl, Intl Terrorism; U.N.*)

July 1—A value-added tax goes into effect; prices increase an average of 5 percent.

July 4—Prime Minister Yitzhak Rabin addresses a specially convened session of the Knesset. He describes the successful Israeli raid at Entebbe Airport in Uganda and declares, "This operation will become a legend. It is Israel's contribution to the fight against terrorism. . . ."

ITALY

July 5—Pietro Ingrao, a Communist, is elected

speaker of the Chamber of Deputies. Amintore Fanfani, a Christian Democrat, is elected president of the Senate.

July 13—President Giovanni Leone asks Christian Democrat Giulio Andreotti to form a new Cabinet. Andreotti replaces the caretaker Prime Minister, Aldo Moro.

July 17—In Washington, D.C., German Chancellor Helmut Schmidt reveals that last month the U.S., France, Britain, and West Germany agreed informally to restrict additional loans to the Italian government if Communists receive Cabinet positions.

July 19—Great Britain denies involvement in the agreement on Italy; France disassociates herself; West Germany qualifies the statement.

July 26—In the Chamber of Deputies, Communists receive chairmanships of 4 committees—Finance and Treasury, Public Works, Constitutional Affairs and Transportation.

July 29—Prime Minister-designate Giulio Andreotti submits a list of Christian Democrats for his Cabinet to President Leone.

July 30—The new Italian Cabinet is sworn in.

JAPAN

July 8—Tokuji Wakasa, president of All Nippon Airlines, is arrested in connection with the \$12.6-million U.S. Lockheed Aircraft Corporation scandal.

July 13—Hiro Hiyama, chairman of the Marubeni Corporation, is arrested for his involvement in the Lockheed scandal.

July 27—Former Prime Minister Kakuei Tanaka is arrested and charged with illegally accepting Lockheed money. Tanaka resigns from his post as head of the Liberal-Democratic party.

KENYA

(See also *Intl, Intl Terrorism; Uganda*)

July 4—Israeli planes refuel at Nairobi Airport on their way back to Israel with the hostages rescued at Entebbe Airport in Uganda.

July 9—The Kenyan region of the East African Railways Corporation says that effective July 22 Uganda must pay in Kenyan currency to ship her goods through Kenya. Landlocked Uganda is short of foreign exchange and has been paying in Ugandan currency.

July 10—A Kenyan newspaper, the *Daily Nation*, claims that 245 Kenyan citizens living in Uganda have been killed since the Israeli raid at Entebbe.

July 12—In a symbolic show of support, the U.S. sends a Navy plane and a frigate to the Kenyan port of Mombasa.

July 25—In a telegram to the U.N. and the OAU, Uganda's President Idi Amin says Kenya is cutting off Uganda's oil supply. Kenya began to demand

payment in hard currency for goods shipped into Uganda months ago.

July 27—Kenyan Foreign Minister Munyua Waiyaki outlines conditions that must be met by Uganda to "normalize" relations with Kenya. He charges that since February, when Amin claimed territory in western Kenya, Uganda has been molesting Kenyans in Uganda. He says that shipments of gasoline and oil are being delayed because Uganda owes Kenya some \$60 million for goods previously shipped into Uganda.

LIBYA

(See *Sudan*)

MADAGASCAR

July 30—Prime Minister Lieutenant Colonel Joel Rahotomalala is killed in a helicopter crash.

MEXICO

July 4—National presidential and congressional elections are held.

July 5—José Lopez Portillo, a former finance minister, wins the presidential election; he has been the only official candidate on the ballot. He will succeed President Luis Echeverría Alvarez on December 1.

PERU

July 1—The government of General Francisco Morales Bermúdez declares a national state of emergency following riots in Lima. Demonstrators have protested the recent tax increases and price rises for public services.

July 10—The government reports it put down an attempted coup by right-wing army General Carlos Bobbio Centurion.

July 16—President Morales names General Guillermo Arbulu Galliani to replace General Jorge Fernández Maldonado as Prime Minister. President Morales also appoints new Cabinet members to replace 4 of the government's recently dismissed left-wing critics.

PHILIPPINES

(See *Vietnam*)

POLAND

July 2—Communist party leader Edward Gierek says that food prices must increase but that they will not go up until the government has consulted the workers.

July 20—13 workers are sentenced to prison terms for their part in the June food riots in Warsaw.

PORTUGAL

July 1—The government announces a series of austerity measures, including tax increases and measures designed to save energy.

July 6—The Supreme Court confirms General Antonio Ramalho Eanes as President.

July 14—General Antonio Ramalho Eanes is sworn in as President; he is the 1st President of Portugal elected by a free and universal electorate.

July 16—President Eanes asks Socialist party leader Mário Soares to form a Cabinet.

RHODESIA

July 24—*The New York Times* reports that the Rhodesian government is recruiting foreigners to join its army.

SAUDI ARABIA

(See *Intl, Middle East; U.S., Administration*)

SOUTH AFRICA

(See also *Zambia*)

July 2—The government says that it has reached an agreement with leaders of the black townships around Johannesburg where rioting took place in June because of the use of Afrikaans as a teaching language.

July 6—Minister for Black Education Michiel C. Botha announces that the government has agreed to stop using Afrikaans as the teaching language in the black schools. Under the agreement, principals of black schools will be permitted to choose the language of instruction.

July 15—Minister of Justice James T. Kruger says that agitators have forced the indefinite closing of black schools around Johannesburg, which were to have reopened July 20.

July 17—South African defense forces deny that they attacked guerrillas in a west Zambian town on July 11. They claim the guerrillas were killed along the eastern part of the border between South-West Africa (Namibia) and Angola.

July 18—In the first serious outbreak of violence since the June rioting, black university students riot at the University of Fort Hare.

July 20—Rioting breaks out in the black coal mining town of Witbank.

July 21—Justice Minister Kruger rescinds the government order and reopens the schools in the black townships around Johannesburg.

July 26—The schools in Soweto township are closed because of a student boycott.

July 27—In the Transkei, security forces arrest 9 members of the opposition Democratic party. This move prevents the opposition from taking part in a special legislative session called to approve the territory's new constitution effective when the Transkei becomes independent, on October 26.

July 29—In a change of policy, the government agrees to permit a U.N. Security Council fact-finding mission to visit South-West Africa (Namibia) to in-

vestigate Zambian President Kenneth Kaunda's charges of aggression by South Africa.

SPAIN

July 1—King Juan Carlos I unexpectedly accepts the resignations - of Prime Minister Carlos Arias Navarro and his Cabinet. First Deputy Prime Minister Lieutenant General Fernando de Santiago will head a caretaker government.

July 3—King Juan Carlos names Adolfo Suárez González to succeed Arias as Prime Minister and asks him to form a new government.

July 5—Suárez is sworn in as Prime Minister.

July 7—Prime Minister Suárez announces the formation of a new Cabinet.

July 14—Parliament votes 245 to 175 to liberalize the penal code, legalizing political parties; propaganda, and meetings.

July 17—Bombs explode in 8 cities throughout the country. Public buildings and monuments are damaged and several people are wounded.

SUDAN

(See also *Egypt*)

July 3—President Gaafar Nimeiry has reportedly quashed a military coup d'état. Nearly 300 people are reported killed; 300 are wounded.

July 4—President Nimeiry calls for an emergency meeting of the U.N. Security Council. He claims foreigners were involved in the abortive military coup.

July 6—The government breaks diplomatic relations with Libya, charging Libya with providing mercenaries for the unsuccessful coup July 3.

July 8—Mohammed Nur Sreed, a former army brigadier, is arrested for his role in the attempted coup.

TAIWAN

(See *Intl, Intl Olympic Games*)

THAILAND

July 20—The last American combat soldier leaves Thailand; approximately 250 American military advisers will remain, reportedly at the government's request.

UGANDA

(See also *Intl, Intl Terrorism; OAU; Kenya; United Kingdom*)

July 5—President Idi Amin accuses Kenya of collaborating with Israel in the July 3 raid at Entebbe Airport.

July 15—The Uganda radio reports the expulsion of 2 Britons on charges of spying and being involved with the U.S. Central Intelligence Agency.

July 24—President Idi Amin cuts off all electricity to Kenya. He threatens to attack Kenya if that government does not release petroleum supplies for

Uganda. Amin warns that if the blockade continues, landlocked Uganda will have to fight for her survival.

U.S.S.R.

July 2—In Washington, U.S. Assistant Agriculture Secretary Richard E. Bell announces that the Soviet Union has purchased \$250 million worth of soybeans from a private U.S. grain trading company.

July 6—A manned Soyuz spacecraft is launched.

July 7—Prime Minister Aleksei N. Kosygin addresses a 9-nation Council for Mutual Economic Assistance conference in East Berlin. He calls for a strengthening of economic ties by establishing common production goals for the 1980's.

The Soyuz spacecraft launched July 6 docks successfully with the orbiting Salyut space station.

July 9—U.S. Cook Industries confirms Soviet purchases of corn and wheat in addition to the soybean sale. Nearly 4.5 million tons of grain have been ordered by the Soviets for the 1976-1977 crop year.

UNITED KINGDOM

Great Britain

(See also *Ireland; Italy; U.S., Foreign Policy*)

July 7—David Steel is elected leader of the Liberal party. He succeeds Jeremy Thorpe, who resigned because of a sex scandal.

July 14—The trade deficit for the month of June is reported at \$648 million, an increase of \$34.8 million.

July 17—James Horrocks, Acting High Commissioner in Kampala, Uganda, returns to London after Ugandan President Idi Amin accuses him of having foreknowledge of the Israeli raid at Entebbe Airport. He is replaced temporarily by Eustace Gibbs.

July 20—The Cabinet meets in emergency session after the release of unemployment figures. The unemployment rate has reached 6.3 percent of the working population—the highest rate since World War II.

July 22—Chancellor of the Exchequer Denis Healey announces £1 billion worth of cuts in government spending for 1977. Healey also indicates that business taxes will increase.

July 28—Foreign Secretary Anthony Crosland tells the House of Commons that the government has decided to break diplomatic relations with Uganda.

UNITED STATES

Administration

July 2—The Nuclear Regulatory Commission announces it has approved a shipment of low-enriched uranium for use in an Indian nuclear reactor.

July 4—The sailing ships of 31 nations parade up the

Hudson River and anchor between Spuyten Duyvil and lower New York Harbor; an estimated 6 million spectators watch this highlight of the nation's July 4 bicentennial celebration.

July 12—President Ford signs a \$9.7-billion appropriations bill for energy research, water and power projects for the fiscal year starting October 1 (fiscal 1977).

July 19—At a White House news conference, President Ford calls for the creation of a special prosecutor's office for the investigation of wrongdoing by federal officials.

Civilian Juanita Ashcraft, a former assistant to former California Governor Ronald Reagan, is appointed Assistant Secretary of the Air Force for manpower and reserve affairs by President Ford.

July 25—Chester M. Plummer, Jr., is shot and killed by a Secret Service officer after he scaled a White House fence and ignored repeated commands to halt; Plummer was carrying a length of pipe.

July 31—According to administration sources, President Ford is planning to ask Congress for permission to sell Maverick air-to-surface missiles and "smart bombs" to Saudi Arabia.

Civil Rights

July 24—A lower court decision declaring that Milwaukee's school system is unconstitutionally segregated is upheld by the U.S. Court of Appeals for the Seventh Circuit.

Economy

July 1—Senator Edmund Muskie (D., Me.) and Representative Brock Adams (D., Wash.), the Senate and House chairmen of the congressional budget committee, report that Congress stayed within the \$374.9-billion budget ceiling in the fiscal year just ended (fiscal 1976).

July 9—The Labor Department reports that the wholesale price index rose 0.4 percent in June.

July 20—The Commerce Department reports a growth of 4.4 percent in the gross national product (GNP) in the second quarter of 1976, down from 9.2 percent in the first quarter of the year.

July 26—In a joint statement, the Treasury Department and the Office of Management and Budget report that the government finished fiscal 1976 with a deficit of \$65.6 billion, \$10.4 billion below earlier estimates.

July 27—The Commerce Department reports that in June U.S. imports exceeded exports by \$377.3 million, because of record oil imports.

July 28—The 2d highest quarterly earnings in U.S. business history—\$909 million—are reported by General Motors Corporation. In the 1st quarter of 1976, American Telephone and Telegraph Company reported earnings of \$939.7 million—the

highest quarterly earnings ever reported by a U.S. corporation.

Foreign Policy

(See also *Intl, Intl Olympic Games; Italy*)

July 6—Queen Elizabeth II of England begins a 6-day bicentennial visit to the United States; in Philadelphia, she presents a bell cast in the foundry in England that cast the original Liberty Bell.

July 7—Queen Elizabeth II meets President Gerald Ford at the White House for ceremonies and a state dinner.

July 15—West German Chancellor Helmut Schmidt begins a visit to Washington, D.C., meeting with President Ford at the White House.

July 17—A joint statement by President Ford and Chancellor Schmidt issued in Washington says that West Germany will be relieved of further German contributions toward the cost of stationing U.S. troops in Germany; Bonn will make a single \$68-billion payment toward the cost of establishing a combat brigade in northern West Germany.

Labor and Industry

July 19—Miners in West Virginia begin a wildcat strike.

July 28—In the 9th day of the wildcat soft-coal miners' strike, more than one-third of the nation's soft-coal miners are on strike.

Legislation

July 1—The Senate votes 78 to 12 to approve a \$32.5-billion appropriation for military weapons, including a start on the construction of the controversial B-1 bomber; the House approved the bill June 30, voting 339 to 66.

By a 57-34 vote, the Senate approves General George Brown as chairman of the Joint Chiefs of Staff for a 2d term.

July 2—President Gerald Ford exercises his 50th veto, vetoing a \$3.3-billion military construction bill. The Senate approved the bill by voice vote today. Congress adjourns for a 2-week recess.

July 6—President Ford signs a bill designed to regulate the handling of food stamps by banks, credit unions, post offices and private firms licensed by the Department of Agriculture to sell the coupons.

President Ford vetoes a \$3.95-billion public works job bill, calling it a give-away program.

July 22—The House overrides President Ford's veto of the \$3.95-billion public works bill by a 310-96 vote; the Senate overrode the veto yesterday, 73 to 24.

July 26—President Ford signs legislation to provide coastal states with \$1.6 billion in aid to cope with problems connected with the development of offshore oil and gas resources.

July 29—The House of Representatives reprimands Robert Sikes (D., Fla.) for financial misconduct.

Political Scandal

July 8—The Appellate Division of the New York State Supreme Court for the First Department disbars former President Richard Nixon on five charges relating to the Watergate scandal; the decision is 4 to 1.

Political Terrorism

July 2—Bombs destroy an Eastern Airlines plane at Boston's Logan Airport and 2 National Guard trucks at a Boston armory; the Essex County Court House in suburban Newburyport is also bombed and damaged. Boston police believe the bombs were set off by a group calling itself the Fred Hampton People's Force.

Politics

July 6—Meeting in Hershey, Pennsylvania, 29 of the country's 36 Democratic governors endorse Jimmy Carter, former Georgia governor, for President.

July 8—At the North Dakota Republican Convention, President Gerald Ford wins 12 delegates; Ronald Reagan, former California governor, wins 4; 2 are uncommitted.

July 13—At the Democratic National Convention in N.Y., former Georgia Governor Jimmy Carter is nominated on the first ballot as the Democratic candidate for President in the 1976 election.

July 14—At a news conference, Carter announces that he has chosen Senator Walter F. Mondale (D., Minn.) as his running mate.

The convention selects Mondale as the vice presidential candidate of the Democratic party.

July 18—The last Republican delegates to the Republican National Convention in Kansas City, Missouri, have been selected; neither President Ford nor Ronald Reagan have mustered enough delegates for a first-ballot victory at the convention.

July 19—The AFL-CIO's 35-member Executive Council unanimously endorses Jimmy Carter and Walter Mondale for President and Vice President.

July 25—The Mississippi delegation to the Republican National Convention refrains from endorsing either Gerald Ford or Ronald Reagan prior to the opening of the convention in August.

July 26—Contrary to established custom, Ronald Reagan names his running mate. Senator Richard S. Schweiker (R., Pa.), regarded as a liberal, is his choice for Vice President should he win the Republican presidential nomination.

July 27—Former Texas Governor John B. Connally supports President Ford's candidacy for the Republican presidential nomination, partly because of

Reagan's choice of Schweiker as his vice presidential running mate.

July 28—Clarke Reed, chairman of the Mississippi delegation to the Republican National Convention, personally endorses the candidacy of President Ford because of Reagan's choice of Schweiker as his running mate.

Science and Space

July 20—The landing vehicle from the American Viking I unmanned spacecraft makes a successful soft landing on the surface of Mars after a journey of almost 11 months and half a billion miles; the news of the successful landing is transmitted to earth 19 minutes later. The landing device also transmits spectacular pictures of Mars' surface, showing what appears to be a wind-swept rocky desert plain.

July 21—Reports from Viking I show that Mars has an atmosphere containing 3 percent nitrogen, indicating that there may be or may have been life on Mars.

July 22—Viking I sends back weather reports from Mars, reporting light winds and a temperature range of minus 122°F to minus 22°F.

July 31—Instruments on Viking I indicate an unexpected amount of oxygen in Martian soil.

Supreme Court

July 1—The Supreme Court upholds provisions of the 1972 amendments to the Coal Mine Safety Act; one amendment provides for the paying of benefits to those who were suffering from black lung disease before the acts were passed. The decision is unanimous.

By a 6-3 ruling, the Court rules that states cannot require a woman to secure the consent of her husband before having an abortion; the Court also rules, 5 to 4, that no blanket restriction may require a single woman under the age of 18 to secure the consent of a parent before obtaining an abortion.

July 2—The Supreme Court rules 7 to 2 that the death penalty for the crime of murder is a constitutionally acceptable form of punishment and is not inherently cruel or unusual; in 1972, the Court ruled that as practiced in the U.S., capital punishment violated the eighth amendment to the Constitution, which bans cruel and unusual punishment. The Court reviews the statutes of 5 states passed in response to the 1972 ruling. Laws providing for capital punishment in Georgia, Florida and Texas are upheld; the Court rules 5 to 4 that the laws of Louisiana and North Carolina that impose mandatory death sentences for every defendant found guilty of murder are not constitutional. Approximately 600 persons in the nation's prisons have

been on "death row" since the 1972 Court decision; there have been no executions in the U.S. since 1967.

July 6—By a 6-3 vote, the Supreme Court restricts the so-called Exclusionary Rule; habeas corpus relief in federal courts for those convicted in state courts on illegally obtained evidence is sharply limited.

The Court rules 7 to 2 that automobiles may be legally stopped at permanent border patrol checkpoints in order to question the occupants without warrants and without reason to suspect the occupants. Motorists stopped at checkpoints may be referred for secondary questioning even if "such referrals are made largely on the basis of apparent Mexican ancestry."

The Court rules 5 to 3 that illegally seized evidence used by state law enforcement officials and not admissible in state criminal courts may be used by the federal government in civil tax proceedings. July 22—Justice Lewis Powell stays the imposition of death sentences in Georgia, Texas and Florida until the full Court can hear a petition for a rehearing of the cases.

URUGUAY

(See *Argentina*)

VIETNAM

July 2—Hanoi radio reports the formal reunification of the country. Leaders of the new Socialist Republic of Vietnam are elected by members of the National Assembly.

July 3—Hanoi radio announces the composition of the new leadership; most of the 30 Cabinet ministers are men who held high positions in the North Vietnamese government.

July 12—The government agrees to establish diplomatic relations with the Philippines.

July 13—According to yesterday's agreement, the Philippine government reportedly promises that military bases used by foreigners will not be used for aggressive purposes.

YUGOSLAVIA

July 5—Vlado Dapcevic, an alleged Soviet spy, is sentenced to 20 years in prison by a Yugoslav court.

ZAMBIA

July 27—In the U.N. Security Council, Foreign Minister Siteke G. Mwale accuses South Africa of training, financing and arming terrorists to overthrow President Kenneth Kaunda. He claims that South African troops were responsible for the deaths of 24 people and the wounding of 45 when, on July 11, South African planes dropped armed men into the village of Sialola and attacked a guerrilla camp. ■

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